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Report of the Secretary-General on the activities of the Office of Internal Oversight Services

Report of the Office of Internal Oversight Services

Note by the Secretary-General**

1. In conformity with paragraph 5 (e) (ii) of General Assembly resolution 48/218 B of 29 July 1994 and resolution 54/244 of 23 December 1999, the Secretary-General transmits herewith to the Assembly the ninth annual report of the Office of Internal Oversight Services, covering activities for the period from 1 July 2002 to 30 June 2003.

2. The Secretary-General takes note of the oversight activities and accomplishments presented in the annual report of the Office of Internal Oversight Services. The Office's adoption of a risk-based approach to its work and efforts to strengthen integrity and improve accountability in the Organization through its organizational integrity initiative are also noted with appreciation.

* A/58/150.

** Because of the reporting period of the annual report (1 July 2002-30 June 2003), it was not possible to meet the deadline for submission.

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Preface

Integrity, accountability, transparency

I am honoured to submit the ninth annual report to the General Assembly on the activities of the Office of Internal Oversight Services (OIOS) covering the period from 1 July 2002 to 30 June 2003. As in previous years, OIOS is also pleased to report on its strategic initiatives to enhance accountability and performance in the Organization. Highlights of the Office's oversight activities and achievements include the following:

- OIOS issued some 80 critical recommendations during the current biennium to improve accountability mechanisms, enhance delegation of authority and clarify the delineation of responsibilities.

- The audit of the United Nations information centres (A/57/747) emphasized the need for an urgent rethinking of the information centre concept in terms of its usefulness and relevance. The Department of Public Information has already begun to implement many OIOS recommendations, including one that the Department reassess and update information centre goals and strategies (see para. 89 below).

- Audit recommendations concerning the liquidation of peacekeeping missions (A/57/622), the procurement of goods and services for peacekeeping missions from Governments using letters of assist (A/57/718) (see para. 44 below) and policies and procedures for recruiting staff for the Department of Peacekeeping Operations (A/57/224) have resulted in a series of improvements in the management of these critical logistical and administrative areas.

- As recommended by OIOS, the Office of the United Nations High Commissioner for Refugees introduced changes in project agreements with international non-governmental organizations. This resulted in more reliable financial information and competitive procurement, as well as greater transparency in project spending (para. 24).

- Close collaboration between OIOS investigators and the European Union Anti-Fraud Office resulted in the recovery of $4.2 million that had been misappropriated by a former senior staff member of the United Nations Interim Administration Mission in Kosovo. The investigation also led to the successful prosecution of the staff member by national authorities in June 2003 (para. 66).

- In its review of the implementation of results-based budgeting (A/57/474), OIOS urged programme managers to be fully involved in the development of the plans for their programmes and to take ownership of the objectives, expected accomplishments and indicators of achievement used to measure their results (para. 93).

- In its evaluation of human resources management (A/57/726), OIOS recommended, among other things, that the Office of Human Resources Management support mobility by improving conditions of service and streamlining its administrative procedures (para. 95).

- OIOS undertook change-management consulting assignments for the Department for General Assembly and Conference Management, the Department of Public Information and the Office of Human Resources Management. OIOS assisted the Department for General Assembly and Conference Management in ensuring the successful implementation of its reform agenda; supported the Department of Public Information in identifying and validating departmental and divisional goals and developing a new planning process and supported the Office of Human Resources Management in its transition from an administrative, transaction-based operation to a more strategically focused human resources management service (paras. 88, 90 and 94).

- OIOS conducted a management review of the Office of the United Nations High Commissioner for Human Rights (A/57/488) and notes with satisfaction that the Office tackled the implementation of OIOS recommendations immediately after the report was issued and that consistent implementing measures are being carried out (para. 28).

- An investigation of allegations of sexual exploitation of refugees in West Africa (A/57/465) produced evidence that, although not as widespread as alleged, there were cases of exploitation, including of very young refugees. Recommendations included referral to national authorities for the prosecution of implicated individuals and better camp management (para. 27).

- OIOS, in collaboration with the Office of Legal Affairs and the United Nations Office on Drugs and Crime, has proposed that the Convention against Corruption, to be signed by Member States in Mexico in December 2003, include a provision that criminal sanctions may be pursued against international civil servants who engage in wrongful acts and to recover any proceeds derived from such acts (para. 139).

During the year the Office issued 789 critical recommendations (comprising 29 per cent of all recommendations), about 33 per cent of which have already been implemented. Critical recommendations call for improvements in productivity, saving, recovery of resources and accountability for fraud, waste and abuse, among other things. OIOS also exposed waste and fraud in the Organization and recommended actions that, if implemented by programme managers, would save the Organization approximately $37 million.

I am pleased to report that in May 2003, the United Nations launched the organizational integrity initiative, a three-year programme aimed at strengthening integrity and professional ethics in the Organization. The initiative, funded by a generous contribution from the Government of Norway, is the result of cooperation between OIOS and United Nations departments, offices (including the Office of Human Resources Management), funds and programmes. The initiative consists of ethics training, staff perception surveys and outreach activities aimed at raising awareness about the importance of integrity in the workplace. A related objective is to enhance the profile of the United Nations integrity-building and corruption-control efforts just as Member States gather in Mexico to sign the United Nations Convention against Corruption at the end of the year. The United Nations itself must lead by example and ensure that integrity and professional ethics guide all its work.

In order to better prioritize its allocation of resources and to target oversight assignments, OIOS this year applied its risk-management framework to its annual work-planning process. Using the combined knowledge and expertise of OIOS audit, inspection, monitoring, evaluation, investigation and management consulting managers, the exercise examined past problem areas, current challenges and overarching trends that could threaten the Organization's activities, assets and reputation. OIOS is now managing the portfolio of identified high-risk areas and related projects aimed at mitigating those risks. Ultimately, the challenge for the future is to gain acceptance for the practice of risk management to enable managers throughout the Organization to identify and mitigate the most serious risks facing their operations and programmes. During the past two years, OIOS has seen a sharp increase in requests of the General Assembly for new reviews and studies as well as updates of earlier oversight reports. In an effort to consolidate and prioritize those requests, OIOS hopes to utilize its risk framework in collaboration with Member States and other oversight bodies to optimize the use of resources and to avoid duplication among the oversight bodies.

In spring of 2003, OIOS conducted a survey of Member States and United Nations departments and offices on its services. The results, compared with those of a similar survey conducted in 2000, are encouraging. The Member States that responded gave positive feedback on the role and image of OIOS in the Organization and made suggestions on monitoring and following up recommendations and improving outreach activities. Client departments and offices also gave an overall positive assessment of OIOS, suggesting that it should focus on improving the understanding of its mandate and scope and provide more regular and open communication with clients. OIOS will take these comments into consideration in planning its future oversight activities.

In an era of rapid change, increasing empowerment of staff members and growing responsibilities for managers, OIOS is intent on attracting and retaining the most qualified staff to carry out the oversight activities of the Organization. OIOS has introduced a career progression guide, particularly to facilitate mobility and provide training. The monthly meetings of the OIOS Personnel Management Committee facilitate the careful monitoring of vacancies, recruitment and staff movements. OIOS has also been active in using the electronic Performance Appraisal System and the new Galaxy system.

Taken together, these initiatives will enable OIOS to take a more holistic approach to enhancing the effectiveness and impact of its oversight activities. The challenge is to institutionalize these strategic initiatives aimed at strengthening the Organization's accountability and performance. With the continuing support of Member States, the administration and the active involvement of staff members, I am confident that we will succeed.

(*Signed*) Dileep **Nair**
Under-Secretary-General for Internal Oversight Services

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I. Introduction

A. Mandate and mission

1. In its resolution 48/218 B of 29 July 1994, the General Assembly established the Office of Internal Oversight Services (OIOS) to enhance oversight functions within the United Nations. Enhanced oversight was to be achieved through intensified evaluation, audit, inspection, investigation and compliance monitoring. In 1999, the General Assembly reviewed the implementation of resolution 48/218 B and adopted resolution 54/244 of 23 December 1999, setting out a number of provisions on OIOS concerning reporting, functions, coordination, funds and programmes, investigations and operational independence. Subject to those provisions, the Assembly reaffirmed its earlier resolution. The Office exercises operational independence under the authority of the Secretary-General (ST/SGB/273) in conducting its duties and has the authority to initiate, carry out and report on any action that it considers necessary to fulfil its oversight responsibilities. Additional administrative issuances (ST/AI/397, ST/IC/1996/29 and ST/SGB/2002/7) elaborate on the role of OIOS.

Mission of the Office of Internal Oversight Services

- To provide internal oversight for the United Nations that adds value to the Organization through independent, professional and timely internal audit, monitoring, inspection, evaluation, management consulting and investigation activities.
- To be an agent of change that promotes responsible administration of resources, a culture of accountability and transparency and improved programme performance.

B. Budget and staffing resources

2. In keeping with the need for the operational independence of the Office and by virtue of the authority delegated by the Secretary-General (see ST/AI/401), the Under-Secretary-General for Internal Oversight Services exercises a certain amount of autonomy and control over OIOS personnel and resources, consistent with United Nations regulations and rules. A separate OIOS review body, independent of the Secretariat's central review bodies, advises the Under-Secretary-General on personnel matters. During the reporting period the review body, formerly the Appointment and Promotion Panel, considered 25 appointment, promotion and placement cases.

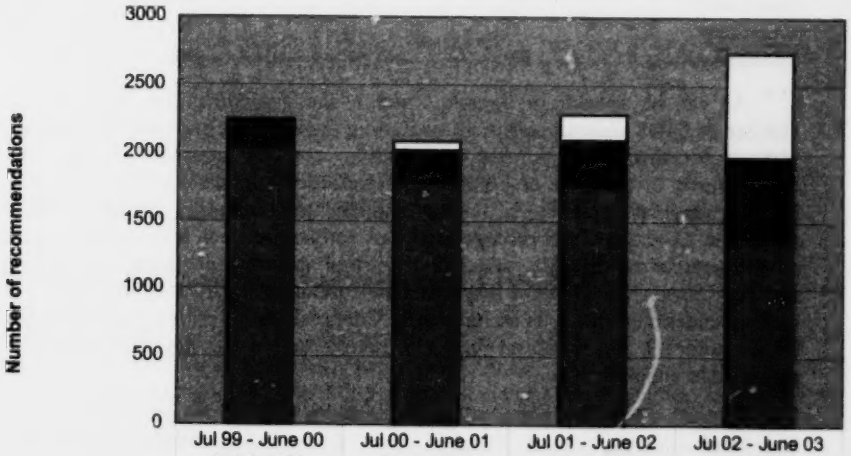
3. At present, the Office has a total of 185 posts: 130 at the Professional level and 55 in the General Service category. Of those, 94 are funded from extrabudgetary resources, including 27 resident auditor posts in the peacekeeping missions as well as 8 regional investigator posts for peacekeeping cases. For the year 2003, the Office's resources total $18.2 million, of which $7.8 million is funded from extrabudgetary resources.

C. Overview of recommendations

4. During the year under review, the Office issued 2,737 recommendations to improve internal control and to correct underlying obstacles to organizational efficiency and effectiveness. Of those, 50.6 per cent have already been implemented. Twenty-nine per cent of all recommendations were classified as critical to the Organization, calling for improvements in productivity, saving and recovery of resources and accountability for fraud, waste and abuse, among other things.[1] OIOS also exposed waste and fraud in the Organization, and recommended $36.9 million in potential cost savings and recoveries.

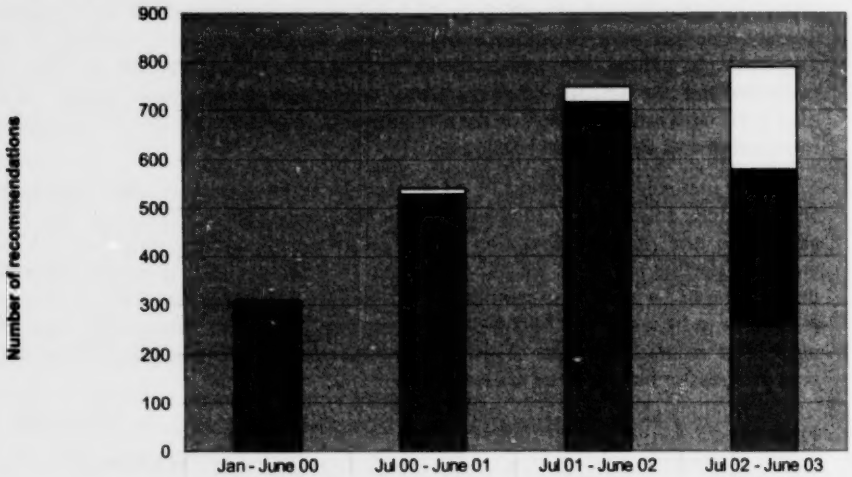
5. The implementation status of all recommendations issued by OIOS during the fiscal periods from 1 July 1999 to 30 June 2003 are shown in figure 1.[2] Figure 2 shows the rate of implementation of critical recommendations issued during the current reporting period as well as during the three prior reporting periods since the designation of "critical" was instituted in January 2000 (as welcomed by the General Assembly in its resolution 56/246 of 24 December 2001). The figures also show the number of recommendations reported by clients where the implementation activity is in progress or has not been started.

Figure 1
Status of implementation of all recommendations issued by the Office of Internal Oversight Services as at 30 June 2003



	Jul 99 - June 00 Total: 2244	Jul 00 - June 01 Total: 2088	Jul 01 - June 02 Total: 2284	Jul 02 - June 03 Total: 2737
Rate of implementation	90.6%	85.3%	77.0%	50.6%
□ Not started	7	72	185	761
■ In progress	203	235	341	592
■ Completed	2034	1781	1758	1384

Figure 2
Status of implementation of all critical recommendations of the Office of Internal Oversight Services as at 30 June 2003

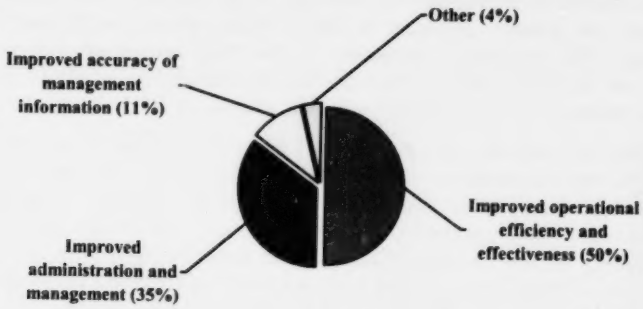


	Jan - June 00 Total: 308	Jul 00 - June 01 Total: 540	Jul 01 - June 02 Total: 748	Jul 02 - June 03 Total: 789
Rate of implementation	97.7%	90.2%	73.4%	32.6%
□ Not started	0	10	31	209
■ In progress	7	43	168	323
■ Completed	301	487	549	257

6. As can be seen from figures 1 and 2, the implementation of a significant number of OIOS recommendations (including critical ones) has not yet begun. The reasons for this vary: the recommendation may be complex, calling for the development or revision of policies and procedural guidance, or it may require lengthy negotiations on modalities for implementation. In this regard, it should be noted that 25 critical audit recommendations had not yet been accepted as at the date of the present report. The status is reviewed during the annual work-planning exercise, during which OIOS may schedule follow-up reviews of non-implemented recommendations among its assignments. A detailed list of critical recommendations issued before 1 July 2002 on which corrective action has not been completed is provided in annex II.

7. Critical recommendations address areas with far-reaching consequences for the Organization's performance. Figure 3 below shows the distribution by impact area of the 789 critical recommendations issued during the current reporting period, covering the efficiency, accuracy, administration and management of the Organization's resources. The category "other" includes improved security and disclosure of mismanagement, misconduct or fraud.

Figure 3
Impact of critical recommendations issued by the Office of Internal Oversight Services from July 2002 to June 2003


Other (4%)
Improved accuracy of management information (11%)
Improved operational efficiency and effectiveness (50%)
Improved administration and management (35%)

8. OIOS recommended a total of $36.9 million in recoveries and reduced expenditures resulting from audits and investigations carried out during the reporting period. The actual savings and recoveries totalled $15.4 million. These recommended and actual savings were somewhat lower than the amounts reported in the previous annual report, which included an extraordinary item related to the establishment of mission subsistence allowance rates in selected peacekeeping missions. The recommended and actual savings and recoveries are summarized below (in millions of United States dollars):

	Recommended	*Actual*
Recoveries	22.4	6.8
Reduced expenditures	14.0	8.4
Other	0.5	0.2
Total	**36.9**	**15.4**

II. Year in review: oversight results and assessments

9. The oversight results and assessments set out below for various United departments and offices are the outcome of audit, evaluation, inspection, investigation and management consulting activities undertaken during the reporting period. The assessments for clients focus on their implementation of critical recommendations. For certain clients, only a few critical recommendations were issued during the period, and therefore no assessment is provided. At the fifth tripartite oversight coordination meeting, held in New York in June 2002, and during regular meetings throughout the year, OIOS discussed improved coordination and joint assignments with the Joint Inspection Unit and the Board of Auditors. The risk-management framework described below guided planning of oversight assignments during the reporting period. The main risk areas are defined, and the projects undertaken to mitigate them are listed in annex IV.

A. Risk-management framework

10. OIOS has introduced a risk-based work-planning process to prioritize and rationalize the allocation of resources to oversight of programmatic and operational areas that have the greatest exposure to fraud, waste, abuse, inefficiencies and mismanagement. The systematic assessment of the risks associated with various programmes and activities aims to increase the accountability of OIOS for the deployment of resources to oversight assignments, starting in 2003.

11. OIOS takes into consideration a number of factors in its annual work-planning process: risk to the Organization's resources and reputation; requests from the General Assembly, departments and offices for oversight coverage; large budget items; new activities with no previous oversight coverage; and priority areas for the reform programme of the Secretary-General. The need for follow-up of critical recommendations in high-risk areas that have not been implemented by programme managers, as reflected in annex II, also guides the work-planning process.

B. Human rights and humanitarian affairs

1. Office of the United Nations High Commissioner for Refugees

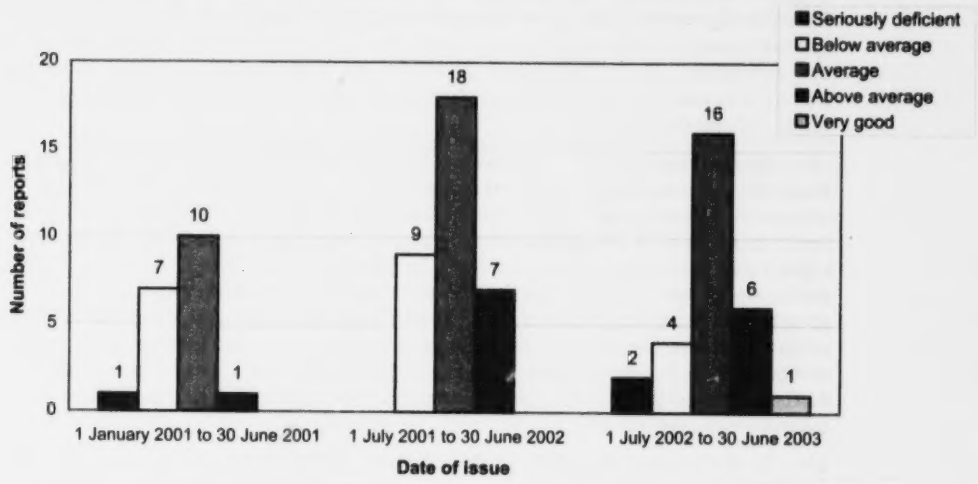
(a) Overall assessment

12. The Office of the United Nations High Commissioner for Refugees (UNHCR) received 233 recommendations contained in audit reports and memorandums addressed to its senior management. An additional 1,212 recommendations were made in audit observations addressed to UNHCR managers in the field. A total of 128 recommendations (or 9 per cent) were classified as critical, about a quarter of which called for improvements in processes, controls and systems. OIOS identified potential savings and recoveries totalling $7.5 million for UNHCR, of which $4.4 million was actually saved or recovered.

13. UNHCR has been generally timely in responding to audit reports and observations and in addressing the issues raised by OIOS. Approximately 42 per cent of the critical recommendations have been implemented, and another 24 per cent were in the process of being implemented. Some of the recommendations required policy changes or the development or revision of policy and procedural guidance and thus take some time to be fully implemented organization-wide. For some 32 per cent of the critical recommendations, implementation was still pending.

14. OIOS has introduced a measurement system to rate the effectiveness of the application of key internal controls in the audited operations of UNHCR. This facilitates benchmarking between country operations, provides management with assurance that activities are well or adequately administered and assists in identifying operations in which prompt corrective action is required. In the 29 audit reports issued in 2002/03, some 55 per cent of the audited operations were rated as average, 24 per cent were above average or very good and 21 per cent were below average or deficient (see figure 4).

Figure 4
Audit assessments of operations of the Office of the United Nations High Commissioner for Refugees based on audit reports, by date of issue



(b) Audit coverage

15. OIOS audited UNHCR operations in 20 countries in Africa, Asia and the Pacific, Europe and the Americas. Given the magnitude of the UNHCR Afghan operation and the risks involved, a resident audit team was established to ensure continuous audit coverage and to provide advice to the operation on effective internal control. In Geneva, OIOS audited the UNHCR procurement function, its use of United Nations Volunteers, consultancies and staff education grant and rental subsidy entitlements. In total, audits by OIOS covered operations and activities amounting to $314 million.

Afghan emergency

16. In the initial stages of the Afghan emergency, UNHCR focused on repatriation activities, which accounted for expenditures of some $45 million in 2002. The number of returnees far exceeded the original strategic plans, and the guidelines and procedures developed initially soon became insufficient, especially because the undocumented status of most Afghan refugees in Pakistan made verification difficult. The cash paid for transportation led to abuses and fraudulent schemes. Data management developed slowly, resulting in incomplete information on returnees. As the emergency unfolded, verification procedures were continuously improved and iris-recognition biometric technology was introduced. For the 2003 repatriation programme, the UNHCR offices in Afghanistan and Pakistan have tightened procedures and taken various steps to minimize the risk of abuse. The repatriation from the Islamic Republic of Iran was easier to control and was well-managed.

17. In Afghanistan, the implementation of the reintegration programme peaked at the end of 2002. The resulting volume of work and the delayed posting of project control officers meant that project monitoring initially could not be given the attention it deserved. The review of the shelter project, with a budget of $32 million

for the construction of 40,000 shelter units, found that UNHCR and its partners had established satisfactory controls over the procurement, receipt, storage and distribution of shelter materials. The poor quality of fuel in Afghanistan is damaging vehicles and requires the frequent replacement of parts at significant cost to UNHCR. To avoid such costly replacements, OIOS recommended procuring fuel internationally. Administrative activities were generally well-managed, except at one sub-office. At the suggestion of OIOS, the commission rate paid to money traders was successfully negotiated downward, resulting in estimated savings of $1 million to the end of 2003.

18. OIOS reviewed the activities of UNHCR and a number of its partners in Pakistan. The accounting and internal control systems of partners should be enhanced and the quality and timeliness of reporting to UNHCR improved. The rapid expansion of the Pakistan programme was not matched by the partners' capacity to implement it, which resulted in a number of problems. OIOS also found that programme planning required more consistency and coordination and that programme monitoring needed to be intensified. The rapid growth of the Pakistan programme also required supply chain activities to be strengthened to ensure compliance with administrative rules and procedures. UNHCR management in Pakistan reacted positively to the recommendations of OIOS, and prompt action was taken to implement them.

19. In the Islamic Republic of Iran, where UNHCR and its auditors had had problems getting access to project and accounting records of government implementing partners (see the reports of the Board of Auditors on the voluntary funds administered by the Office of the United Nations High Commissioner for Refugees for the years ended 31 December 2000[3] and 31 December 2001[4]), OIOS was given unrestricted audit access and received the full cooperation of UNHCR government partners.

Procurement

20. The procurement activities of UNHCR headquarters were assessed as being well-run and as generally complying with standard policies and procedures. OIOS calculated that it took the Supply Management Service, on average, 14 days from the receipt of the approved purchase authorization to the issuance of a purchase order, which was well within the established 30-day target. However, in the absence of any criteria, benchmarks and data for other stages of the procurement cycle, the overall achievement of UNHCR procurement objectives could not be easily assessed. Procurement planning by field offices was often less than effective, resulting in inefficient purchasing. Field offices purchased vehicles under ex-stock arrangements (i.e., from the dealer) at much higher prices, although it was not called for. With a sharper definition of exigencies and stricter monitoring of compliance with established criteria, OIOS calculated potential savings to UNHCR in motor vehicles alone of $1.5 million over a three-year period. Action is being taken on all OIOS recommendations, although time will be required to develop and formalize many of the revised procedures.

United Nations Volunteers

21. UNHCR did not have a primary focal point responsible for coordinating the activities of the United Nations Volunteers and for developing guidance and direction to field offices on their administration. This has resulted in the inconsistent application of rules, the inefficient use of staff resources and overpayments by

UNHCR. United Nations Volunteers, although not considered UNHCR staff members, are performing core activities in protection and are responsible for certain UNHCR financial management activities. The role of volunteers should be clarified and the authority and responsibilities delegated to them defined. As recommended, UNHCR has developed a new standard policy on the use of volunteers that will be finalized shortly.

Education grant and rental subsidy

22. With new educational trends and technological developments, it is not always clear what can be considered as post-secondary education to qualify for an education grant. UNHCR should establish clear guidelines for eligibility. Procedures should be strengthened to ensure the timely submission of education grant claims and the recovery of advances. In the case of the special education grant, UNHCR reimburses 100 per cent of all expenses, even if the child attends a normal school. In the view of OIOS, this interpretation is not correct. Furthermore, OIOS questioned the practice of continuing to pay education grants for extended periods to staff members in between assignments who are residing in their home country. OIOS found that the decentralization of the rental subsidy and deduction scheme had resulted in inadequate internal controls at the field level with annual reapplications not systematically pursued or rental deductions left outstanding for extended periods.

Consultancies

23. Comprehensive policy guidelines, consistent with United Nations administrative instructions, need to be developed on the selection and management of consultants to ensure transparency and objectivity in their engagement, monitoring and evaluation. Consultants are often engaged to undertake UNHCR core functions and, although such arrangements provide operational flexibility, these individuals are not consultants as defined by administrative instructions. Over the years, UNHCR has become dependent on consultants for mainframe computer maintenance, since their knowledge and expertise has not been transferred to regular UNHCR staff. This arrangement is not cost-effective. Consultants were not selected competitively and the methodology for determining their fees needed to be reviewed.

Audit certification

24. In its report for the year 2001,[4] the Board of Auditors recommended assessing the feasibility and cost-effectiveness of modifying UNHCR rules on audit certification of implementing partners. OIOS conducted a study taking into account the cost implications and recommended revision of the UNHCR policy. For international non-governmental organizations, UNHCR should request and fund a project-specific audit for each subproject for which UNHCR funding exceeds $300,000. For government implementing partners, where government audit institutions do not have the manpower or do not give priority to auditing UNHCR subprojects, the option of contracting external auditing firms should be considered. As recommended, UNHCR will introduce new rules and procedures governing audit certification for subprojects, beginning 1 January 2004.

(c) Investigations

Refugee smuggling in East Africa

25. OIOS continued to provide assistance to the Kenyan authorities during the ongoing criminal trials of the four UNHCR staff members, two members of an affiliated non-governmental organization and four others who operated the criminal enterprise of refugee smuggling at the Nairobi branch. To date, one of these offenders has been convicted and has begun serving his two-year prison sentence.

26. During a recent mission to Nairobi, OIOS observed that the refugee problems highlighted in its report had in fact increased and that there were no efficient or systematic mechanisms in place whereby UNHCR might receive and investigate complaints by either refugees or non-refugees. While efforts have been made by UNHCR headquarters, the response of UNHCR in Nairobi to complaints has been limited and ineffective. Unduly onerous burdens of proof are placed on complainants before their complaints are investigated. The recommended speedy referral of information obtained via the external reporting process has not yet been implemented. The current system of refugee registration and verification and the documentation involved is still susceptible to forgery and fraud. As was seen, for example, in West Africa, the conditions of the refugee camps remain dire and refugees continue to be vulnerable to exploitation. Unless UNHCR establishes a professional reporting and complaint system as recommended, it will not be able to properly assess the risk factors in its mandated work with refugees.

Sexual exploitation of refugees in West Africa

27. OIOS issued a report to the General Assembly on the investigation into sexual exploitation of refugees by aid workers in West Africa (A/57/465). Allegations had been made in late 2001 by consultants contracted by UNHCR and the United Kingdom branch of Save the Children, who had identified the issue during an evaluation of sexual violence and exploitation of refugee children in the region. The allegations were based on third-party reports, and the consultant had interviewed neither the victims nor the alleged perpetrators. The investigation did not reveal a widespread pattern of aid workers requiring sex from refugees in exchange for free services such as food rations and shelter. However, the investigation established evidence supporting findings of particular cases of sexual abuse of refugees, including young children. Moreover, the conditions in the camps and in refugee communities in the three West African countries examined leave refugees vulnerable to sexual and other forms of exploitation, and such vulnerability is increased for young women and girls.

2. Office of the United Nations High Commissioner for Human Rights

(a) Inspection

28. The management review of the Office of the United Nations High Commissioner for Human Rights (OHCHR) (A/57/488) yielded 17 recommendations aimed at improving its management, structure and work methods. While recognizing that in the past five years significant accomplishments had been made by the Office in the promotion and protection of human rights, OIOS emphasized the need to address both persistent problems and new challenges. OIOS noted with satisfaction that the Office had tackled the implementation of the

recommendations immediately after the report was issued and that implementing measures were being carried out.

(b) Audit coverage

29. An audit of OHCHR country operations in Bosnia and Herzegovina, Croatia and Montenegro showed that there was a need to strengthen project backstopping to ensure adequate monitoring and evaluation of activities and the quality of field reports; to improve the quality of administrative support from OHCHR partners; to improve adherence to internal controls; and to ensure that the heads of offices have access to complete and timely budgetary and expenditure data. OIOS also found that the length of certain employment contracts was too short given that the annual budget cycle allowed for one-year fixed-term contracts. OHCHR also needed to ensure the regular evaluation of the staff's performance using the performance appraisal system (PAS). OHCHR agreed with the recommendations of OIOS and was in the process of implementing them.

3. Office of the Iraq Programme

(a) Overall assessment

30. The Office of the Iraq Programme was established at United Nations Headquarters in October 1997 to consolidate the management of United Nations activities in the area and to improve the implementation of the Iraq programme. As a result of recent developments in Iraq, the Security Council, in its resolution 1483 (2003) of 22 May 2003, requested the Secretary-General to terminate the oil-for-food programme at Headquarters and in the field by 21 November 2003. OIOS will continue auditing the liquidation activities of the Office and the United Nations Office of the Humanitarian Coordinator in Iraq during this critical period.

31. Management has generally made satisfactory progress in implementing the recommendations of OIOS. Of the 11 critical audit recommendations issued during the period, 7 have already been implemented and 2 were in the process of being implemented.

(b) Audit coverage

32. The audit of the headquarters activities of the Office of the Iraq Programme showed that the contract for the provision of independent customs inspection agents in Iraq should have been better managed. Certain contract provisions had also not been met by the contractor. In addition, the decision to pay for the rehabilitation of living quarters, at a cost of $320,000, by including a portion of the cost in the per-person daily fee of $600 instead of paying it as a one-time lump sum led to avoidable expenditures of approximately $700,000. The payment terms had also been inappropriately amended prior to the commencement of the contract. OIOS notes that the management of the Office of the Iraq Programme had taken appropriate steps to address most of the related audit recommendations.

33. OIOS resident auditors based in Iraq reviewed a number of activities of the United Nations Office of the Humanitarian Coordinator in Iraq, including the United Nations Guards Contingent in Iraq, information technology and communication management and procurement and travel claims. The resident auditors also provided advisory services to the management of the Office of the Humanitarian Coordinator in northern Iraq, and closely coordinated their audit activities with the auditors of other United Nations agencies and programmes implementing Security Council

resolution 986 (1995). In addition, OIOS provided advisory services concerning the procedures to be adopted as a result of Security Council resolution 1472 (2003).[5]

34. The United Nations Guards Contingent in Iraq played a vital role in protecting United Nations personnel, assets and operations linked to the Organization's humanitarian programmes in northern Iraq. However, OIOS noted that the contingent's financial position was precarious, as it was funded exclusively from voluntary contributions. To ensure its continued operation, OIOS noted the need to identify long-term financing solutions. Improved coordination was also needed among the United Nations agencies and programmes in northern Iraq in order to enhance overall security. For example, although an emergency plan was prepared and updated, the drill scheduled for May 2002 to test the plan had not been fully implemented.

4. United Nations Compensation Commission

35. The United Nations Compensation Commission processes claims and pays compensation for losses resulting from the invasion and occupation of Kuwait by Iraq. A total of 2.6 million claims have been filed seeking compensation for alleged losses valued at approximately $349 billion. The Commission has resolved most of these claims and has awarded compensation of about $46 billion, of which $18 billion has been paid. A total of 49,500 claims with an asserted value of $98 billion are yet to be resolved.

36. OIOS concluded that the "F1" claims[6] it reviewed generally complied with the decisions of the Commission's Governing Council. OIOS noted, however, that there were deficiencies in the valuation and verification of the claims, which included incorrect and inappropriate valuations, failure to provide for residual values, overlapping claims and a lack of adequate supporting evidence, which, in the opinion of OIOS, had resulted in overpayments of approximately $14.6 million. As the amounts involved were significant, OIOS recommended that the Commission review the claims and ensure that the claimants had not been overcompensated. The Commission disagreed with the findings of OIOS and saw no need to adjust the claim awards. The recommendations of OIOS were brought to the attention of the Commission's Governing Council, which took note of them as well as the response of the Commission' secretariat.

37. OIOS identified deficiencies in one of the of two "E3" claims[7] it reviewed which, in its opinion, had resulted in overcompensation of approximately $3.6 million. OIOS concluded that because the claimant had not made full payment to the subcontractor, there was no justification for compensating the claimant for the full amount claimed, which was higher than the amount of losses actually incurred. Also, the Commission's own expert consultant had recommended no award due to the lack of independent evidence. The Commission's secretariat did not agree with the recommendations and noted that there were other factors beyond the "accountancy aspects" that determined the amount to be paid to a claimant. The Governing Council also took note of the recommendations and the secretariat's response.

38. At the request of the Compensation Commission, the Office of Legal Affairs rendered an opinion, dated 27 November 2002, on the appropriate scope of OIOS audits of the processing and resolution of claims, which concluded that, apart from "the computation by panels of the amounts of compensation which they recommend be paid, ... it would not be proper for OIOS to review those aspects of the work of panels which are constituent elements of a legal process". The Office of Legal

Affairs also stated that "it would be equally not proper for [OIOS] to review the advice on the basis of which those aspects of that work is conducted". OIOS has continued to conduct audits of the entire claims process in order to protect the interests of the Organization.

C. Political affairs

1. Department of Political Affairs

(a) Audit coverage

39. The audit by OIOS of weapon-disposal activities at the United Nations Political Office in Bougainville, Papua New Guinea, showed that since December 2001 over 1,600 weapons had been collected and stored. However, more than 100 of them had been subsequently stolen, which could adversely affect the disarmament process. OIOS also found that the Office needed to address a series of personnel management issues, such as filling vacant posts, maintaining personnel files and regularizing the employment of casual labourers. Improvements were also needed with regard to field allotment controls, imprest cash accounts and the transport of cash. The Department of Political Affairs agreed with all of the recommendations and was taking action to implement them.

(b) Investigation

40. An OIOS investigation concluded that a former representative of the Secretary-General and his secretary had engaged in serious acts of misconduct in connection with financial management. The former representative had set up an unauthorized informal financial system, similar to a United Nations trust fund, to receive voluntary contributions locally from donor countries in violation of the Financial Regulations and Rules of the United Nations. The total amount of voluntary contributions received is unknown owing to the absence of records. However, the documentary evidence shows that the former representative received at least $500,000 from donor countries. Additional evidence of misconduct regarding the falsification of mission subsistence allowance claims was also reported to the Department. As a result of recommendations by OIOS for appropriate corrective action, including the recovery of monies if necessary, the Department hired a consultant who found that possible overpayments totalling nearly $380,000 had been made to 26 staff.

41. In its comments, the Department noted that it had provided both the initial investigative report and the subsequent audit to the Office of Human Resources Management, the Office of Legal Affairs and the Controller. The Office of Human Resources Management has decided that there would be no recovery action with respect to the mission subsistence allowance from those who received it and that the former representative may be held personally liable because of the inaccurate information he provided. The matter continues to be under review pending the outcome of the disciplinary proceedings against the former representative at his parent organization.

2. Department of Peacekeeping Operations

(a) Overall assessment

42. The rate of implementation of accepted critical audit recommendations by the Department of Peacekeeping Operations is very high, with all audit recommendations issued between July 1999 and May 2003 having been implemented or being in the process of implementation. OIOS issued 22 critical investigation recommendations during this period, of which 12 have been implemented, 5 are in the process of being implemented and 5 are under discussion with programme managers.

(b) Audit coverage of Headquarters activities

Audit of the Finance Management and Support Service, Office of Mission Support

43. The Finance Management and Support Service was making strides in providing field missions with the tools necessary for improving financial management and processing the backlog of contingent-owned-equipment claims. However, the Service's functions have to be defined and delineated more clearly because in some instances they overlap with those of concerned field missions and other Headquarters offices. The Service needs more effective procedures, criteria and benchmarks in order to facilitate the preparation and review of field mission budget estimates and financial performance reports and to exercise allotment control. Improved performance targets are also needed to monitor the processing of reimbursement claims from troop-contributing countries for contingent-owned equipment and self-sustainment of troops. Following the audit, the Service prepared standard operating procedures for the critical areas of budgeting, performance reporting and implementation monitoring. The Department advised that those procedures clearly specified the objectives and responsibilities of the Service.

Procurement through the use of letters of assist

44. The audit of the procurement of goods and services through the use of letters of assist (A/57/718) identified major shortcomings in this area. For example, the Procurement Division had not developed guidelines for the administration of letters of assist, and the Department of Peacekeeping Operations had not prepared a comprehensive list of goods and services considered to be of a strictly military nature that could not be procured commercially. In addition, the Department's criteria for selecting Governments to provide the necessary goods and services needed to be clarified. OIOS found that letters of assist were sometimes used for goods and services that could have been procured from commercial sources through competitive bidding. Moreover, the Finance Management and Support Service had certified payments totalling $11.6 million for the goods and services received before the relevant letters of assist had been completed and/or signed by the providing Government, in contravention of financial rule 105.18, which requires that payments be based on written contracts. In the view of OIOS, such payments need prior authorization by the Controller. The recommendations of OIOS were accepted by the Department, which advised that it had established an interdepartmental working group to develop revised letter-of-assist policies and procedures.

Peacekeeping trust funds

45. The Department of Peacekeeping Operations had not provided written guidance concerning the operation of trust funds in peacekeeping missions, and there was no consistency in advancing funds to implementing agencies. Eight peacekeeping trust funds with a cumulative balance of $53 million had no expenditures, transfers or adjustments during 2001. These "inactive" funds were generally established in the early 1990s for peacekeeping activities or missions that had since been closed. Some of the funds could be used for related political, humanitarian and development activities in the countries for which the trust funds were originally earmarked, but the responsibility for the funds needed to be transferred to new implementing offices in order to utilize the dormant fund balances. Also, two trust funds with a combined balance of $1.55 million could be utilized for current operations at Headquarters. As the original purposes of these trust funds were no longer valid, the Department of Peacekeeping Operations should have redefined plans of action for their use. The Department accepted the recommendations of OIOS and, in cooperation with the Office of Programme Planning, Budget and Accounts, was in the process of implementing them. The Department further advised that the collaboration of the Member States that had contributed to the trust funds was needed to close the inactive funds.

Audit of the requisitioning function of the Department of Peacekeeping Operations

46. The audit found that the Department did not consistently coordinate with peacekeeping missions on requisitions issued on their behalf, nor did it involve them in procurement or contract management. For example, one mission had no historical data about air-transportation equipment, valued at $10.3 million, requisitioned for its use. The Department had also issued several requisitions valued at $17.3 million for other peacekeeping missions that were not based on requests from the missions. OIOS recognizes, however, that the Department has taken steps to strengthen coordination with peacekeeping missions and is harmonizing the requisitioning process. The Department accepted all of the recommendations of OIOS and advised that, together with the Department of Management, it had thoroughly reviewed the procurement process for peacekeeping missions and implemented improvements.

(c) Audit and investigation coverage of field missions

Audit of the United Nations Assistance Mission in Afghanistan

47. A field audit of the United Nations Assistance Mission in Afghanistan (UNAMA) found that taking full ownership of the assets of the former United Nations Office for the Coordination of Humanitarian Assistance to Afghanistan would have reduced the need to purchase new assets or transport similar assets from other United Nations missions. Furthermore, improved internal controls were needed in the areas of accounting and reporting, cash management and fuel management to safeguard the Mission's assets and to ensure the reliability of the accounts. UNAMA accepted the recommendations of OIOS and is in the process of implementing them.

Liquidation of the United Nations Mission in Bosnia and Herzegovina

48. Audits of the United Nations Mission in Bosnia and Herzegovina (UNMIBH) showed that the Mission's initial transition to liquidation activities was slow and that the role of the liquidation team leader needed to be better defined. The reclassification of assets from category I (assets to be sent to other peacekeeping missions) to category III (assets to be sold) made by the Office of Mission Support had not been done in compliance with established practices endorsed by the General Assembly. Subsequently, the Mission offered assets for sale under category II (assets to be sold to other United Nations organizations and agencies) where possible. OIOS will continue to monitor the issue of asset classification and review systemic problems in future audits of mission liquidations. The Mission also retained certain personnel who were not responsible for implementing liquidation tasks, since staff retention was not linked to liquidation requirements. The transfer of key mission personnel during the early critical liquidation stages adversely affected the liquidation exercise. The use of staff from liquidating missions as a resource pool for new missions should therefore be carefully reconsidered.

49. OIOS identified a number of best practices at UNMIBH that may be useful in future mission liquidations: maximizing the use of a streamlined check-out procedure to process international police task force officers for repatriation; limiting repatriation travel, where possible, to air carriers that allow free excess baggage; assigning a personnel adviser to help streamline staff movements; and shipping category I assets directly to other missions rather than using the United Nations Logistics Base in Brindisi, Italy, as an intermediate forwarding station.

Investigation of sexual misconduct in peacekeeping missions

50. OIOS has received reports concerning a perceived lack of justice in cases of sexual misconduct in peacekeeping missions, including UNMIBH, the United Nations Mission in Sierra Leone (UNAMSIL), the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC) and the United Nations Transitional Administration in East Timor (UNTAET). Any troop member committing such offences in a mission is required to be prosecuted within the jurisdiction of the troop-contributing country. OIOS knows of two cases where prima facie evidence was presented to Member States for prosecutorial action, but to date it is unaware of the results of any such actions by the concerned Member States. In one case, OIOS followed up on its investigation involving the attempted rape of an 11-year-old girl by a peacekeeper and adduced evidence suggesting that the crime of rape did occur. The accused peacekeeper was repatriated, but OIOS has no knowledge of any further action taken by the peacekeeper's military service. The Department of Peacekeeping Operations commented that while the Organization could apply some pressure, it was entirely dependent on the troop-contributing countries when it came to punishing their personnel. OIOS is concerned that the victims and their families in such cases do not learn of the results of the investigations or the prosecution activity, giving rise to complaints of a denial of justice and cover-ups by the Organization.

51. During the reporting period, OIOS also investigated allegations of trafficking of women for the purposes of prostitution in peacekeeping missions, including UNMIBH and the United Nations Mission of Support in East Timor (UNMISET). At UNMIBH, OIOS reviewed investigations conducted by United Nations civilian

police and found that women had been brought to the mission area for what they had thought was legitimate employment. However, upon arriving in the country, some of the women and under-age girls were required to engage in prostitution by the owners of the establishments for which they were employed. OIOS advised the Mission and the Department of Peacekeeping Operations that the emerging prostitution industry in the mission area required urgent attention and offered a number of recommendations for remedial action. OIOS provided similar recommendations to UNMISET to resolve the problems identified at that Mission. The Department commented that UNAMSIL and UNMIBH had taken significant measures to address the issues where such allegations had surfaced.

Investigation of e-mail security

52. OIOS received reports of unauthorized access to computer systems in several missions. One involved the abuse of trust placed in one mission-based systems administrator. Another case involved allegations that a senior mission staff member improperly accessed the e-mail account of another senior mission staff member. The former case is still being pursued through the internal justice system, while in the latter the accused staff members were cleared of any wrongdoing. These cases reflect the lack of an official United Nations policy regarding private use of e-mail, password protection and general computer security issues. The Organization also lacks a policy on access to third-party computers by the Organization for the purpose of investigating wrongdoing.

United Nations Transitional Administration in East Timor/United Nations Mission of Support in East Timor

53. OIOS resident audits identified significant deficiencies in the UNTAET inventory records and reports, inadequate accountability for assets, the absence of prescribed monthly checks of asset records and planned inventories. Over 2,900 items valued at $6.1 million could not be properly verified during the annual physical count. An audit of the aerodrome services contract disclosed deficiencies in the safety of operations and performance assessment. Controls over equipment and fuel provided to the contractor were also weak. Task orders totalling $11.9 million were not sufficiently detailed to verify the contractor's invoices. Consequently, the mission took the steps necessary to rectify the situation, and the appropriate adjustments were made in the payments to the contractor.

54. OIOS noted that there was a wide disparity between the salary scales of local mission staff and public service employees of Timor-Leste. The mission's attractive salaries led qualified individuals to accept clerical-level positions at the mission rather than higher-level but lower-paying management positions in the Government. OIOS therefore recommended that the Department of Peacekeeping Operations and the International Civil Service Commission examine the matter. OIOS also identified the need for more systematic criteria for determining grades and salaries during recruitment, better maintenance of leave records and tighter controls over absenteeism.

55. The OIOS Investigations Division investigated several reports that United Nations staff at UNTAET provided falsified official letters that afforded non-United Nations individuals access from Timor-Leste to Australia. In one case, an individual was provided with a United Nations-issued laissez-passer for travel via Australia to

Europe. These acts constituted violations of Australian immigration law, the law of Timor-Leste and various United Nations staff rules and regulations relating to the falsification and forgery of official United Nations documents. These violations constitute a significant risk to the Organization as well as to Member States that receive individuals travelling on illegal documents.

United Nations Mission in Sierra Leone

56. Resident audits at UNAMSIL showed that the Mission needed to better monitor expenditures against budgetary allocations to avoid accelerated expenditures at the end of the financial year. Of the $42.8 million allocated for operations during the year ended 30 June 2002, only $28.4 million, or 66 per cent, had actually been disbursed as at that date. The difference of $14.4 million constituted outstanding obligations, of which $4.4 million had been obligated in June 2002. OIOS also found an unutilized balance of $16.8 million in the Mission's field allotment for the year. The unutilized balance in the previous year was $32.5 million.

57. OIOS identified several instances of non-compliance with United Nations procurement policies. For example, requisitions were raised in a piecemeal manner, and stock levels were not always taken into account when requisitions were prepared, resulting in an excess of stock on hand. There were significant shortcomings in the Mission's warehousing operations and in record keeping for fuel received and issued. The Mission also did not take advantage of the discounts offered by suppliers of petroleum products for payment of invoices within 28 days, which would have resulted in significant savings.

United Nations Organization Mission in the Democratic Republic of the Congo

58. MONUC administered three trust funds with a total value of $1.1 million contributed by three Member States in support of the inter-Congolese dialogue and the demobilization and reintegration of ex-combatants. There was a gap of some 22 months between the receipt of contributions and the raising of obligations in one of these funds, and a gap of one year in another of the funds.

59. OIOS resident audits identified excessive inventories at the Mission and at the Logistics Base. Also, some $635,000 in assets had not been recorded in the asset-control system. The OIOS audit of the Kisangani sector headquarters identified control deficiencies with regard to procurement, lease agreements for rented properties, fuel consumption, stores and supply management, construction and financial transactions. At the Mission's request, the resident auditors assessed the adequacy of internal controls over direct purchases and identified a number of control weaknesses affecting the accuracy of stock item records. OIOS made several recommendations to address these issues, including measures to strengthen inspection procedures and provide for proper segregation of duties. Mission management has implemented the recommendations, which should result in savings and loss prevention.

60. A field audit of the MONUC military component showed that it has done a commendable job in implementing the Mission's mandated tasks pertaining to the verification phase of operations. While the Mission converted to the next phase of operations, in which the military component would take the lead in implementing the programme for disarmament, demobilization, repatriation, resettlement and

reintegration of foreign armed groups, OIOS found that the military headquarters' preparations for that phase could be reinforced by, for instance, improving coordination between the military and other components of the Mission. Although MONUC had prepared security and emergency plans, they had not been integrated and tested at the sectors and at the Mission's headquarters. A review of the compensatory time off granted to military personnel and civilian police also showed that the interpretation of "continuous active duty" had to be clarified and that record keeping and oversight needed to be improved. The Mission has taken concrete measures to address the weaknesses identified by OIOS.

United Nations Mission in Ethiopia and Eritrea

61. OIOS resident audits disclosed delays in the implementation of quick-impact projects and weak internal control procedures for screening and approving such projects. More than $427,000, or 60 per cent of the amount approved for these projects, was still outstanding at the time of the audit. Current budgetary procedures needed to be strengthened to ensure that the budgets of the United Nations Mission in Ethiopia and Eritrea (UNMEE) were prepared and implemented more effectively. The Department of Peacekeeping Operations, in a pilot project, chose the Mission to purchase two water-treatment and bottling plants to provide water to military contingents. However, OIOS found that this decision was based on incorrect assumptions regarding projected cost savings. The revised cost-benefit analysis prepared by the resident auditors showed that it would have been more cost-effective to obtain bottled water commercially.

62. OIOS found that its earlier recommendation calling for the Mission to request the host Governments to provide access for direct flights between Asmara and Addis Ababa had not been successfully implemented, and the Mission was forced to fly over a third country when travelling between the cities. As a result, another OIOS recommendation, to discontinue the passenger jet contract, could not be implemented until such time as the direct flight corridor was provided. The Department of Peacekeeping Operations advised that it was continuing to address this issue. OIOS also identified deficiencies with regard to fuel management and compliance with relevant fuel-handling safety requirements; the delivery of more rations than were required; inadequate management of transport operations and significant delays in vehicle repair and maintenance; and the need for improved management of attendance and leave. The Mission has taken appropriate steps to address these shortcomings.

United Nations Interim Administration Mission in Kosovo

Audit

63. Resident audits of the United Nations Interim Administration Mission in Kosovo (UNMIK) showed that the Mission's Vehicle Establishment Committee was dysfunctional and that vehicles were assigned on an ad hoc basis, occasionally to non-UNMIK personnel. The Mission used over 70 types of vehicles, adversely affecting maintenance costs and requiring an extensive inventory of spare parts, which was not effectively managed. Also, the high rate of car accidents had not been analysed, nor was there an effective accident prevention programme.

64. Because a decentralized warehousing system was used, there was no aggregate picture of the Mission's inventories, and it was not clear whether requisitions were initiated only after available stocks were considered. The asset acquisition process was unnecessarily cumbersome, and there was no policy for transferring assets to local authorities. The Mission's Communications Section lacked a disaster recovery plan and an exit strategy for disposing of its assets. There was no evidence that the bank chosen to make mission subsistence allowance payments to staff had been competitively selected, and there was no written agreement between that bank and the Mission on the use of facilities and the services to be provided. OIOS also found that payments for utilities were made in cash rather than via bank transfer, increasing the risk of loss. Similarly, construction materials were purchased in cash. The Mission has accepted the recommendations of OIOS to correct the above matters and was in the process of implementing them.

Investigations

65. OIOS has observed that certain patterns are emerging with respect to the special missions under United Nations control, such as UNMIK, that involve a mix of traditional peacekeeping and nation-building functions.[8] The collaboration between the United Nations and other institutions, such as the Organization for Security and Cooperation in Europe and the European Union, under one banner but with different legal and contractual arrangements has caused confusion as to overall management and supervision of activities under these independent pillars. In addition, sectionalism in the UNMIK implementing pillars frequently prevented timely reports of wrongdoing and caused extended delays in responding to OIOS. Increased managerial emphasis on a more comprehensive, unified view of UNMIK would strengthen both the management and the oversight functions.

66. In one case, OIOS investigated, in cooperation with the European Union Anti-Fraud Office, significant acts of fraud alleged to have been committed by an UNMIK senior staff member, who was assigned to the UNMIK reconstruction pillar (Pillar IV), managed by the European Union. The investigation revealed that the staff member had caused a public electricity provider in a neighbouring Member State to transfer more than $4 million, derived from UNMIK funds for the purchase and sale of electricity on the power grid of the former Yugoslavia, to his private Gibraltar bank account and later to another bank account in Belize. The transfer was stopped and the funds were returned. The investigation also confirmed that the staff member had engaged in other fraudulent acts of lesser significance. The former staff member was convicted in his home country on three charges and sentenced to a prison term of three years and six months. Related Pillar IV cases are continuing. OIOS and UNMIK senior management have met with officials of the European Union and the European Agency for Reconstruction and are working jointly on correcting the deficiencies identified.

67. In an ongoing matter, originally reported in its previous annual report (A/57/451, para. 51), OIOS had found that an UNMIK senior official had awarded a licence to operate 61 fuel installations owned by two public enterprises to a businessman in his personal capacity. The licence had been awarded without bidding, even though a competitive tender had been prepared and potential bidders identified. OIOS established that the lease had been drafted by the businessman, not UNMIK, and had been signed by the official even though the legal adviser had rejected its approval. The official admitted to having collected 800,000 deutsche

marks in cash from the businessman without recording those funds in the Kosovo budget or in the account books. UNMIK advised OIOS that the staff member was leaving the Mission and that it had developed a regulatory framework, which included the promulgation of regulations, laws and auditing and accounting systems to address those issues. In addition, UNMIK had introduced internal control mechanisms for the conduct of procurement and contractual negotiations by its staff.

68. OIOS also inquired into the award of a concession to an international petroleum company for the refuelling of aircraft at a commercial airport in the territory managed by the Kosovo Interim Administration. OIOS established that the procurement exercise was not transparent and that other irregularities had occurred, but it did not find any evidence of bribery or favouritism. OIOS was unable to resolve these issues because the bidder/vendor refused OIOS access to its staff for interviews. In the absence of contractual language requiring such cooperation, no further action could be taken.

69. Based on the findings of an investigation in UNMIK, OIOS recommended that two senior security officers be cleared of allegations of corruption in a scheme involving the solicitation of a payment from local citizens for their employment in the local United Nations security guard force. OIOS also recommended that the procurement officer be cleared of an allegation that he had solicited a bribe for the award of a contract to purchase tyres.

D. International justice and law

(a) Investigation at the International Criminal Tribunal for Rwanda

70. OIOS concluded that a staff member from the Finance Section of the International Criminal Tribunal for Rwanda had repeatedly requested and received kickbacks in the form of large cash payments and cheques from several members of defence teams. The evidence included copies of bank statements, cheques and handwritten statements from five defence team investigators. These witnesses told OIOS investigators that from February 1998 to October 2001, the above-mentioned staff member had compelled them to repeatedly provide him with payments by cash and cheques (ranging from $300 to $1,000) as a condition for processing their claims submitted to the Tribunal, an official function for which he was responsible as finance assistant. The staff member, when confronted with the evidence, acknowledged having received the funds. A joint disciplinary committee accepted the staff member's unsupported claim that the money from the defence investigators were "loans" they were repaying. The committee simply recommended that the staff member perform only clerical duties not related to financial transactions or the processing of claims. The staff member remains employed by the Tribunal, performing clerical duties unrelated to any financial operations.

(b) Audit coverage of the International Criminal Tribunal for the Former Yugoslavia

71. An audit of the field operations of the International Criminal Tribunal for the Former Yugoslavia showed that the Office of the Prosecutor and the Registry functioned independently without proper consultation and coordination. OIOS recommended that formal mechanisms be implemented to address this issue. There was also a need to strengthen the planning process related to investigation missions and to strictly implement the revised investigation travel procedures to enhance the

utilization of available travel resources. OIOS also found that the Tribunal had utilized $1.2 million of trust fund contributions earmarked for exhumation projects to fund the costs of an investigative team for Kosovo, with the agreement of the major donor. In addition, assets valued at $1.2 million procured for trust fund projects had not been properly recorded, redeployed and disposed of after the completion of the projects. The Tribunal accepted all the recommendations of OIOS and has already implemented most of them.

72. An audit of the Tribunal identified deficiencies in the strategic planning of human resources management, duplication of the personnel and finance functions, unjustified expenditures for field interpreters and lack of action on previous recommendations to integrate personnel and payroll systems. Close cooperation between the Tribunal and OIOS during the field portion of the audit resulted in the Tribunal's implementation of all recommendations stemming from the audit. The Tribunal developed a strategic plan for human resources, completed a mission statement and mandate and established human resources system performance indicators. The Tribunal's implementation actions helped to achieve savings totalling $327,000, and the strategic plan for human resources should also result in more efficient use of the Tribunal's resources.

E. International cooperation for development

1. Department of Economic and Social Affairs

(a) Overall assessment

73. OIOS audits of the Department's subprogramme on public administration, finance and development and two technical cooperation projects on capacity-building for local governance and for rapid commercialization of renewable energy resulted in 55 audit recommendations, including 26 considered critical, on the structure and monitoring of its work programme, on the servicing of expert bodies and on other programmatic and administrative issues. OIOS considers the Department's implementation progress to be satisfactory, with 43 recommendations having been implemented or being in the process of implementation.

(b) Audit coverage

74. The Department's subprogramme on public administration, finance and governance is intended to assist Member States in ensuring that their governance systems, financial institutions and administrative processes function effectively by sharing information and providing technical and advisory services. The audit by OIOS of the implementation of this subprogramme resulted in 29 recommendations, 6 of which were modified after further clarification by the Department. The recommendations concern such matters as improving the work programme structure and monitoring process; managing operational activities; improving interdivisional coordination within the Department; developing a resource mobilization strategy for future technical cooperation projects; and clarifying job descriptions, staff responsibilities and accountability. The Department accepted the recommendations of OIOS and has begun to implement them expeditiously. The results of the audit are also being used as an input in an evaluation currently being done on the Division for

Public Economics and Public Administration, which was requested by the Committee for Programme and Coordination for its consideration in 2004.

75. An audit of the project on capacity-building for local governance, executed by the Department, found that, notwithstanding noticeable achievements, progress in delivering the project's final outputs had been slow. Also, the effectiveness of project management had been diminished by the non-delivery of expected inputs by the recipient Government, weak communication with government counterparts and a lack of ongoing supervision and project monitoring. OIOS issued 14 recommendations to address these problems, which were generally accepted by the Department. In the case of the rapid commercialization of renewable energy project, OIOS issued nine recommendations to the Department and three to the Procurement Division relating to procurement and improved project coordination, all of which had been accepted and were being implemented.

(c) Evaluation

Socio-economic issues and policies

76. In its triennial review of the in-depth evaluation of global development trends, issues and policies, global approaches to social and microeconomic issues and policies and the corresponding subprogrammes in the regional commissions (E/AC.51/2003/4), OIOS concluded that the Department of Economic and Social Affairs and the regional commissions had continued to improve their analysis of socio-economic development trends. Most of this analysis is based on short-term outlooks or medium-term perspectives. However, more attention to long-term trends to facilitate the understanding of current circumstances that may have an impact on long-term development prospects would be an important contribution towards the achievement of the Millennium Development Goals. As recommended by the Committee for Programme and Coordination, the Department proceeded in early 2003 with a reorganization of its structure aimed, among other things, at strengthening and improving the visibility of its analysis. OIOS recommends that the Department assess and report on the results of this reorganization in the context of its programme performance report for the biennium 2004-2005. The Committee for Programme and Coordination recommended approval by the General Assembly of the conclusions and recommendations of the triennial review.

Advancement of women

77. In its triennial review of the in-depth evaluation of the advancement of women programme (E/AC.51/2003/5 and Corr.1) OIOS noted that the programme made improvements in response to the evaluation recommendations. For example, the backlog of reports of States parties awaiting review by the Committee on the Elimination of Discrimination against Women had decreased considerably. Inter-agency coordination and communication had also been enhanced. The Committee for Programme and Coordination recommended approval by the General Assembly of the conclusions of the triennial review and that the issues be reviewed by the Commission on the Status of Women.

2. United Nations Environment Programme

78. An audit of the publication function of the United Nations Environment Programme (UNEP) showed that the Programme did not have a viable approach to managing its publications. Also, UNEP did not know whether the $10 million reported as expenditures on publications for the biennium 2000-2001 was an accurate figure, and if that level of effort met its needs and those of its clients. To address the issues raised by the audit, UNEP was analysing and revising its publication planning, monitoring and budgeting mechanisms to facilitate an assessment of the relevance, usefulness and affordability of UNEP publications to see if the function was providing value commensurate with the amount of money expended.

79. The OIOS audit of the UNEP World Conservation and Monitoring Centre disclosed that the Centre required restructuring to be in compliance with United Nations regulations and rules. OIOS was concerned that the Centre had not been established as a UNEP entity in compliance with United Nations regulations and rules, primarily because UNEP staff had not adequately consulted relevant United Nations and UNEP regulations and rules and responsible offices, including the Office of Legal Affairs. Satisfactory action was under way to implement the recommendations of those audits.

3. United Nations Human Settlements Programme

(a) Overall assessment

80. OIOS issued 17 critical recommendations to the United Nations Human Settlements Programme (UN-Habitat) during the period. Two of them have been implemented, and satisfactory progress was under way to implement the remaining recommendations. Previous OIOS audits of the UN-Habitat settlement rehabilitation programme in northern Iraq identified instances of mismanagement that required urgent attention, but many of the previously reported audit recommendations had not been implemented at the time of the follow-up review by OIOS. In the view of OIOS, significant changes were needed in the project management approach of UN-Habitat.

(b) Audit coverage

81. An audit of the UN-Habitat publication function showed that much useful work had been done to achieve an integrated, coordinated operation. However, the publication initiative launched in 2001 had not fully achieved its goals, and UN-Habitat agreed to re-examine its organizational structure, policies and planning mechanisms to ensure that publication activities were carried out in a cost-effective manner.

82. A follow-up audit of the settlement rehabilitation programme in northern Iraq found that UN-Habitat had not implemented audit recommendations made by OIOS and the Board of Auditors, even though UN-Habitat senior management had accepted them. The failure of UN-Habitat to mitigate the high risks relating to the inclusion of a currency fluctuation clause in construction contracts, as previously recommended by OIOS, resulted in losses to the Organization of more than $2 million and could result in significant additional financial losses should the exchange rate for the Iraqi dinar remain the same or appreciate further against the

United States dollar. The bidding process for construction contracts had serious internal control weaknesses. There was no assurance that senior management had exercised due diligence and that the Organization was receiving the best value for its money. There was also no established project management reporting and approval structure, which prevented senior management from monitoring project activities and taking timely corrective action. UN-Habitat accepted most of the recommendations of OIOS and has taken immediate measures to implement them.

4. United Nations Office on Drugs and Crime

(a) Overall assessment

83. OIOS issued 30 critical recommendations to enhance the overall effectiveness and efficiency of the United Nations Office on Drugs and Crime country office in the Islamic Republic of Iran and the regional office for West and Central Africa. The Office has made satisfactory progress in implementing the recommendations of OIOS: 13 recommendations have been implemented and 14 were in the process of being implemented, leaving 3 recommendations yet to be acted upon.

(b) Audit coverage

Islamic Republic of Iran country office

84. An audit of the country office in the Islamic Republic of Iran showed that since its inception in mid-1999, the Office's programme and projects had made somewhat of an impact. However, the Office needed to improve various aspects of office and project management in order to more effectively deal with the challenges ahead. The country office did not have an adequate system for the control and monitoring of project equipment valued at around $4 million and needed to initiate planning for the mid-term programme evaluation with a view to completing the evaluation before the programme was extended in 2003. The Office's headquarters did not provide field offices with clear guidelines for keeping track of the allotted expenditures and preparing the required reports, resulting in an inadequate accounting system in the country office. The headquarters office should also develop a more detailed agreement with the United Nations Office for Project Services (UNOPS), which provides the country office with administrative services, and should clarify the respective roles and responsibilities of each party to enable it to better monitor the performance of UNOPS.

Regional office for West and Central Africa

85. An audit of the regional office for West and Central Africa found that projects had experienced implementation delays due to deficient project management practices and political instability in the region. The regional office relied on external experts but its planning, contracting and monitoring practices concerning those experts needed improvement. The office did not consistently prepare annual work plans for all its projects, which hindered the monitoring and assessment of project activities. There was no local agreement with the United Nations Development Programme (UNDP) in Dakar concerning the scope and cost of UNDP financial and administrative services. This contributed to lapses in expenditure controls, uneconomical travel arrangements and delays in the settlement of travel advances. OIOS recommended that timely annual work plans be prepared as a basis for

monitoring and evaluating project activities and that a roster of consultants along with a system for performance appraisal be established and updated regularly.

F. Regional cooperation for development

1. Economic Commission for Africa

86. An audit of the staff administration of the Economic Commission for Africa (ECA) concluded that the Commission had implemented adequate procedures for processing entitlements totalling approximately $6 million for the biennium 2000-2001. However, better planning of training needs and provision of improved guidance would further strengthen staff administration. OIOS also followed up complaints about the recruitment process and found that it took an average of one year to recruit Professional staff members, which was excessive. ECA accepted the six recommendations, two of which were considered critical, aimed at strengthening staff administration. One of the recommendations has been implemented, and action has been initiated to implement the remaining recommendations concerning matters such as the extension of contracts, the calculation of rental subsidies, the control of documents and the processing of staff travel claims.

2. Economic Commission for Europe

87. An audit of the programme and operational activities of the Economic Commission for Europe (ECE) found that the Commission's strength lay in the contributions of Member States to the development of its outputs and their acceptance and widespread use in the region. However, the audit disclosed a need for ECE: to clarify and simplify the Commission's governance structure to avoid duplication and overlap among the bodies concerned; to strengthen the central monitoring of key indicators for assessing its effectiveness; to develop an information strategy for managing its databases and web sites; and to actively monitor the costs of conferences and other services provided by the United Nations Office at Geneva to ECE. ECE accepted all 24 critical recommendations issued by OIOS and has started to implement them.

G. United Nations Headquarters activities

1. Department for General Assembly and Conference Management

88. OIOS provided consulting services to the Department for General Assembly and Conference Management, applying a structured change management methodology to assist the Department in ensuring the successful implementation of its reform agenda. The methodology addressed the workflow process and integration of information technology in the Department. It incorporated a communication strategy designed to facilitate staff acceptance of the various reform measures and a detailed implementation action plan. The consultants conducted a series of customized workshops aimed at facilitating the development of a vision for each restructured section, designing new workflow processes and developing solutions for specific issues. The overall strategy of the Department is to improve its services by improving the internal workflow process and the management of both interdepartmental and intergovernmental relationships. In addition, the departmental

reform includes plans to leverage technology to increase operational productivity and enhance service delivery.

2. Department of Public Information

Audit of United Nations information centres

89. The comprehensive audit of United Nations information centres showed that there was an urgent need for the Department of Public Information to reassess the information centre concept in terms of its usefulness and continued relevance. There was also a need for the Department to update the goals, strategies and objectives of its information centre operations. The audit identified several resource allocation issues, including instances in which the number and level of posts favoured centres located in developed countries and where a significant proportion of rent and maintenance funds were expended on centres in the capital cities of developed nations. OIOS called for a reorientation in the approach to information centres in developing countries, where the public has less access to information and communication technologies. In the view of OIOS, the Department needed to assess various options, such as restructuring centres on a regional basis, and to develop a policy on charging for services rendered to other United Nations entities. OIOS summarized the audit results in a report to the General Assembly (A/57/747), which contained 15 recommendations to the Department. All the recommendations, as well as a number of more technical recommendations reported in the audit report to management, were received positively by the Department, which has begun to implement them.

Consultancy

90. OIOS provided change management consulting services to assist the Department in implementing of mandates contained in the Secretary-General's reform programme and his report to the Committee on Information (A/AC.198/2002/2). Specifically, OIOS provided support in identifying and validating departmental and divisional goals and in improving communication and coordination internally, as well as between the Department and substantive offices with regard to the planning and implementation of communication strategies. The OIOS consultants have helped the Department to develop a detailed new planning process and a corresponding implementation action plan allowing it to service the needs of partner departments while maintaining its flexibility to respond to unpredictable and fast-moving events. It is expected that the services provided will help the Department to deliver the results envisioned in its new mission statement and operating model.

3. Department of Management

(a) Overall assessment

91. OIOS issued a total of 81 critical audit recommendations, 12 inspection recommendations and 1 investigation recommendation to the Department of Management during the reporting period. The Department had already implemented 28 of the recommendations, while an additional 28 were in the process of being implemented. Implementation action had not yet begun on the 38 remaining recommendations. Overall, OIOS considers this implementation rate to be generally

satisfactory. Nearly all the critical recommendations were addressed to the Office of Central Support Services and Office of Human Resources Management.

92. However, OIOS is concerned with the pace of implementation of recommendations made to the Department of Management in 2000 regarding proposed changes in the Organization's policy on death and disability benefits for service-related injuries to personnel serving in peacekeeping operations. The Department has advised OIOS that the necessary proposals would be presented to the General Assembly in 2004.

(b) Office of Programme Planning, Budget and Accounts

93. The evaluation by OIOS of the implementation of all provisions of resolution 55/231 on results-based budgeting (A/57/474) concluded that implementation was under way in a manner consistent with the resolution. Particular challenges to the implementation include a shift in focus from inputs and outputs to a results orientation, which requires a significant culture change in the Organization, and the length and complexity of the budgeting cycle, among other things. OIOS notes that in order to bring the implementation to the next level, it is necessary that self-evaluation and self-monitoring and the development of the logical framework become part of the management culture and practice and that programme managers take ownership of the objectives, expected accomplishments and indicators of achievement used to measure the results of their programmes. OIOS is revamping the format of the United Nations programme performance report to reflect the measurement of results.

(c) Office of Human Resources Management

Consultancy

94. OIOS combined the mandated evaluation of human resources management (see para. 95 below) with a request from the Department of Management for a consultancy to amplify the impact of the evaluation. The objective of the consultancy was to support the Office of Human Resources Management in its transition from an administrative, transaction-based operation to a more strategically focused human resources management service. Phase I of the consultancy assisted the Office in reformulating its mission statement. During phase II, guiding principles for further implementation of envisaged change were developed and presented to senior management. According to the Office, the consultancy services of OIOS helped it to focus on areas that had additional strategic value and to formulate, with an impartial and informed mediation, a coherent blueprint for the next stage of the human resources reform agenda.

Evaluation of the implementation of all provisions of General Assembly resolution 55/258 on human resources management

95. In its evaluation (A/57/726), OIOS concluded that, although it was too early to assess the full impact of the reform in this area, the Office of Human Resources Management had made significant progress in implementing a number of reform initiatives. These include the integrated approach to recruitment, promotion and mobility; a management development programme; and a variety of career development tools for staff, which, in addition to other initiatives, indicate the

transition of the Office from simply providing an administrative oversight function to playing a more strategic, partnering role. OIOS recommended that the Office urgently develop appropriate mechanisms for coping with the increased number of applications received through the Galaxy system; support mobility by improving conditions of service at different duty stations and by streamlining administrative procedures; develop linkages between e-PAS and tangible rewards and staff contributions to organizational goals; conduct ongoing client surveys for different human resources functions; and adjust resources for training, career development and knowledge management against the backdrop of a new mobility policy. The results of the evaluation served as an input to resolution 57/305 on human resources management adopted by the General Assembly on 15 April 2003.

Investigation of remuneration paid to retirees

96. OIOS found evidence that a United Nations retiree had far exceeded the ceiling set by the General Assembly for remuneration paid to retirees by working as a freelance translator and as a short-term staff member for the Secretariat as well as and various funds and programmes. This resulted from a lack of information-sharing between the Secretariat and the funds and programmes on their employment of retirees. Although there is an existing staff rule on this issue, OIOS recommended that the Department of Management coordinate with the Secretariat departments and the funds and programmes to work out a mechanism to ensure compliance across the board with Assembly decision 51/408 on the employment of retirees. The Department informed OIOS that it had introduced a "note for retirees" to be signed by any United Nations retiree taking up a short-term appointment to ensure that the ceiling for remuneration was not exceeded.

(d) Office of Central Support Services

Management and control of United Nations laissez-passer

97. OIOS conducted two audits of the management and control of laissez-passer, including a limited scope review at United Nations Headquarters and a more comprehensive audit at the United Nations Office at Vienna and the United Nations Office at Geneva. As many of the issues identified in the latter audit had system-wide or policy implications, most recommendations were addressed to the Office of Central Support Services. For example, OIOS found that there was a need for Organization-wide rules, policies and procedures for managing laissez-passer, the primary travel document of the United Nations. In some cases more than one laissez-passer had erroneously been issued to the same individual, primarily because of ineffective retrieval procedures and inadequate information-sharing. Proper monitoring mechanisms for the renewal, cancellation or return of the laissez-passer upon expiration had not been established. OIOS also noted that only a small percentage of laissez-passer were in safe custody when not required for travel and that the responsibility for safeguarding them had not been clearly established. Furthermore, the procedures relating to lost or stolen laissez-passer were not always followed. The controls over the issuance, renewal and retrieval of red laissez-passer, which are issued to senior United Nations officials, also needed to be improved. For example, red laissez-passer had been issued to ineligible staff members and retained by certain officials even after their separation.

98. OIOS made wide-ranging recommendations for improving management controls over laissez-passer and strengthening compliance with existing procedures for applying for, renewing, retrieving and cancelling them. Management generally agreed with the recommendations of OIOS and was taking action to implement them.

Security and Safety Service

99. OIOS conducted a follow-up audit to assess the implementation of recommendations made in a previous management audit of security and safety at United Nations Headquarters. Its recommendations had called for a wide range of improvements regarding such matters as security officer recruitment and training, infrastructure enhancements, security awareness, use of grounds passes and adherence to safety rules. The Office of Central Support Services, which oversees the activities of the Security and Safety Service, had accepted all but two of those recommendations.

100. The follow-up audit showed that a majority of the recommendations had been implemented and that most other recommendations were in the process of being implemented. While following up on the previous recommendations, the auditors made a number of new observations on the physical security of the Secretariat and leased buildings, the use of electronic access cards and advanced recognition systems and the use of the Galaxy system for recruiting security officers. To address these matters, OIOS issued six additional recommendations, which were generally accepted by the Security and Safety Service.

United Nations capital master plan

101. From January to June 2003, OIOS provided continuous monitoring of activities related to the capital master plan, as mandated by the General Assembly in its resolution 57/292 of 20 December 2002. These monitoring activities were to ascertain whether there was reasonable assurance that the design development process at this very early stage of the capital master plan had been undertaken effectively and transparently and that an appropriate system of internal controls was in place. OIOS is of the view that the requests for proposals for selecting architectural and engineering firms to provide design services under the capital master plan have advanced satisfactorily and that there is reasonable assurance to indicate that the request for proposal process thus far has been transparent and that internal controls over the process are adequate. OIOS is finalizing a report to the General Assembly on its work for consideration during its fifty-eighth session.

4. Office of Legal Affairs

102. An in-depth evaluation of the programme on the law of the sea and ocean affairs (E/AC.51/2003/3), implemented since 1992 by the Division for Ocean Affairs and the Law of the Sea, concluded that it had effectively discharged the responsibilities of the Secretary-General under the United Nations Convention on the Law of the Sea and had satisfied the users of its services. OIOS recommended that the Division enhance its promotion of universal acceptance of the Convention, its analysis of new developments in ocean affairs provided to the General Assembly and the scope of its programme of publications, among other things. The Committee

for Programme and Coordination recommended that the Assembly approve all the recommendations arising from the evaluation.

5. United Nations Joint Staff Pension Fund

(a) Pension Fund secretariat

103. The secretariat of the United Nations Joint Staff Pension Fund (UNJSPF) has made satisfactory progress in implementing critical audit recommendations. The Fund secretariat has established an annual committee on internal audit recommendations, which, in the view of OIOS, provides a useful forum in which to review the Fund secretariat's continuing efforts to implement the recommendations and to discuss any barriers to their implementation.

104. A comparative analysis of UNJSPF budgeting procedures against leading best practices showed that the Fund had made commendable progress in preparing a management charter, outlining its mission and primary objectives. However, OIOS noted the need for improvement in key areas, including policy documentation and approval, the establishment of a results-based-budgeting framework, internal controls and segregation of duties and the interfaces between accounting and information technology systems.[9]

105. An OIOS audit of the engagement of the Fund's outside consulting actuary disclosed that certain procedures and practices regarding the actuary needed improvement to ensure that the Fund's interests were protected. For example, although the same actuary had been used since the Fund's inception in 1946, UNJSPF had not entered into a formal contract with the actuary until 2002. The Fund also did not carry out formal evaluations of the actuary's performance or determine the degree of satisfaction with its services, in accordance with United Nations procurement rules and best procurement practices. OIOS recommended that the Fund follow competitive bidding practices in the procurement of actuarial services to ensure that the best value is obtained, and is pleased to note that UNJSPF has accepted most of its recommendations.

(b) Investment Management Service

106. OIOS has submitted a report to the General Assembly (A/58/81) on the audits of the procurement, contract administration and investment management activities of the UNJSPF Investment Management Service. Those audits identified a number of problem areas requiring management's attention that were discussed in last year's annual report (A/57/451, paras. 120-121). While OIOS is pleased to note that the Investment Management Service has accepted most of the audit recommendations, it is concerned that the implementation of critical recommendations has not been progressing satisfactorily. No response was received from the Service concerning a request for an update of the implementation status of audit recommendations for the present report.

107. In view of the inherent risks involved in managing investments totalling approximately $23 billion, OIOS is currently focusing its attention on audits in the investment area. Audits in progress include cash management in the Investment Management Service and the Fund secretariat, the measurement of investment performance and direct investment in real estate.

(c) Decision of the Standing Committee of the Pension Fund on the provision of internal audit services

108. OIOS noted with concern that the Standing Committee of the Fund had decided, at its one hundred eighty-sixth meeting, in 2003, that, as from the biennium 2004-2005, a small internal audit unit should be established within the Fund secretariat. This decision was made despite the secretariat's recommendation that "the best alternative for the performance of the Fund's internal audit function would be to retain OIOS". OIOS is also concerned that this decision was made despite the comments of the Advisory Committee on Administrative and Budgetary Questions that, during its review of the matter, it had not been provided with any compelling argument in support of a decision to discontinue the internal audit services of the Office of Internal Oversight Services (A/57/490, para. 26). The Advisory Committee further recommended that the Board of Auditors carry out an assessment of the capacity and professional expertise required by OIOS to provide internal audit services to the administrative and investment activities of the Pension Fund, in accordance with commonly accepted industry standards for the audit of pension funds, and to report in the context of its next audit for the biennium 2002-2003. The Board has yet to carry out the requested assessment and report its findings.

H. Offices away from Headquarters

1. United Nations Office at Geneva

(a) Office space management

109. The OIOS audit of office space management at the United Nations Office at Geneva showed that it was at an early stage of development. The average amount of space occupied by staff members varied widely; most staff members occupied more space than was permitted by the norms for their grades, and some staff who were not entitled to do so occupied an entire room. Furthermore, there were no written space assignment procedures, and the procedures for requesting office space were not transparent. Although there was an apparent shortage of office space, the available space was actually adequate to meet requirements. The perceived shortage was mainly attributable to the generous and outdated office space norms that were established in 1976. Further, OIOS found that space was unutilized or underutilized in some buildings and that there was an excessive reserve of 134 rooms for use as temporary secretariats for major conferences. Storage space was not used efficiently and was scattered throughout the buildings.

110. The utilization of buildings at the United Nations Office at Geneva can be improved through more creative, cooperative and efficient use of the existing space. In addition to recent initiatives such as creating more open-plan offices and standardizing furniture layouts, the United Nations Office at Geneva needs to develop a long-term space-management strategy, increase user department involvement in space-management decision-making and reevaluate current space utilization. It also needs to revise the existing office space norms and to adopt the best practices of other United Nations agencies in Geneva that efficiently manage their office space. The United Nations Office at Geneva agreed with most of the recommendations of OIOS and was in the process of implementing them.

(b) Investigation into improper use of an office computer

111. An investigation was conducted into allegations that a staff member of the United Nations Office at Geneva was accessing paedophile web sites from an office computer. The investigation confirmed the allegation against the staff member, which resulted in his decision to take early retirement. OIOS issued two recommendations to the Administration with a view to safeguarding the United Nations against actions by its staff or contractors that could be inimical to the Organization's stated objective of protecting children. Both of the recommendations have been implemented.

2. United Nations Office at Vienna

112. The post-implementation audit of the Integrated Management Information System (IMIS) at the United Nations Office at Vienna focused on assessing whether IMIS was providing a reasonable level of user satisfaction and whether management at the Office had implemented adequate security arrangements. OIOS made a series of recommendations to address such issues as the need for a business continuity plan and further improvement in user satisfaction levels. During the reporting period, the United Nations Office at Vienna made significant efforts to implement the recommendations of OIOS. The Office has implemented 14 of the 15 recommendations issued (including 6 critical recommendations). The only outstanding recommendation relates to the completion of the business continuity plan. The Office has confirmed that the plan is on track for implementation by 31 December 2003.

3. United Nations Office at Nairobi

(a) Overall assessment

113. The United Nations Office at Nairobi accepted 44 critical audit recommendations in whole or in part, and five of them have been implemented. Implementation progress is considered satisfactory for 26 of the recommendations, which relate to improving conference and facilities management and information technology, among other things. Implementation of the 14 recommendations concerning staff administration will be reviewed later in 2003 to evaluate progress.

(b) Audit coverage

Staff Administration Section

114. OIOS found that the existing procedures for managing staff entitlements, totalling approximately $6 million in the biennium 2000-2001, had helped the United Nations Office at Nairobi to ensure that staff complied with United Nations rules and regulations. However, the Office operated in a highly reactive manner and needed to devote greater attention to client relations and planning. To improve efficiency and economy, the United Nations Office at Nairobi agreed to enhance existing arrangements for streamlining application procedures, issuing guidelines for different entitlements and monitoring the status of processing entitlements.

Division of Conference Services

115. An audit of conference services in Nairobi showed that the delineation of roles and responsibilities of the United Nations Office at Nairobi and the Department for General Assembly and Conference Management was not clear. The rates charged by the Division of Conference Services for its translation services to UN-Habitat, UNEP and other United Nations agencies were too low and had resulted in losses to the United Nations Office at Nairobi of up to $66 per page. Poor planning and financial mismanagement in such areas as billing and discounting contributed to an accounting deficit of approximately $2.5 million being incurred between January 2000 and October 2002. However, full costing is not achievable because such translation services are available at a much lower cost in the local market. The United Nations and the major users of conference services must decide what level of services they need and the extent to which they will subsidize them. Steps undertaken by the Director-General of the United Nations Office at Nairobi, partly in response to the recommendations of OIOS, have yielded approximately $1 million to reduce the above-mentioned deficit, and further savings are expected owing to lower staff costs in 2004.

Facility management

116. Current organizational and management processes need to be strengthened to improve accountability. In 2002, the United Nations Office at Nairobi received estimated income of $2.2 million but paid out $3.5 million for utilities and maintenance. In the view of OIOS, the underlying cause for this imbalance is that rental income accrues to Headquarters, allowing no real accountability for efficient cost management of the complex in Nairobi. To be more accountable, the United Nations Office at Nairobi should be delegated the authority to determine rents and should explore the feasibility of placing the income in a sinking fund earmarked for repairs and maintenance. United Nations Office at Nairobi management advised OIOS that it would consult with the Department of Management on the feasibility of implementing this recommendation, as it would affect the Secretariat-wide policies and processes regarding budgeting for and operations of United Nations facilities around the world.

(c) Investigations

117. OIOS continued discussions with the United Nations Office at Nairobi concerning the implementation of two recommendations issued in 2001 regarding the investigation of fraudulent medical and dental claims submitted by a staff member of the Office. OIOS had recommended that these claims be rejected as unverifiable and that the monies paid to the staff member be recovered. The United Nations Office at Nairobi commented that it did not accept the recommendation of OIOS, saying that the investigation had failed to prove conclusively that fraud took place. OIOS maintains that the evidence adduced by the investigation and subsequent correspondence between OIOS and the Office clearly proves that the staff member knowingly submitted false claims. The United Nations Administrative Tribunal has also concluded on numerous occasions that it is a staff member's responsibility to ensure the correctness of his or her claims when submitting them for reimbursement. The concerned staff member should therefore be held fully responsible for the false claims.

118. In the past three years, OIOS has issued a number of recommendations to mitigate the risk of compromise and corruption in the area of procurement at the United Nations Office at Nairobi. In one investigation, a bidder paid for the travel of two procurement officers to visit his facilities, and the bidder subsequently secured the contract with the Office. The United Nations Office at Nairobi commented that since senior management had authorized the visit of the procurement officers, there was no misconduct on the part of the staff members concerned. However, OIOS maintains that the visit was a violation of procurement rules. The other bidders were not considered fairly, because they declined to sponsor the visit of the two staff members to their business premises. They argued that as prospective contractors, the visit would compromise the fairness of the procurement process. Several members of the Local Committee on Contracts shared this view.

119. In another case, a bidder modified his prices after the bid opening and won the contract. The United Nations Office at Nairobi commented that there had been no misconduct on the part of the procurement officials. OIOS maintains that staff members should not have modified the bid price seven days after the bids were opened, particularly as price was the basis for the decision in determining the winning bid.

4. United Nations operational funds and programmes

(a) Audit of the United Nations Fund for International Partnerships

120. The United Nations Fund for International Partnerships (UNFIP) was established in June 1998 to receive grants from the United Nations Foundation Inc. based on a gift of $1 billion from Ted Turner. UNFIP acts as a central mechanism to facilitate the organization, execution, monitoring and reporting of projects and activities funded by the Foundation. As at 31 December 2001, UNFIP had programmed grants totalling $423.8 million to 222 projects implemented by more than 30 implementing partners. The OIOS audit, which covered the period ending 31 December 2001, showed that the Fund had generally been effective in coordinating the UNFIP-funded project activities implemented by the funds and programmes and specialized agencies so as to meet the Organization's development goals. UNFIP had also engaged the private sector in the work of the Organization.

121. The audit noted, however, that the mandate, organizational structure and work programme of UNFIP needed to be formalized and that the internal controls used to monitor trust fund resources were not fully effective. OIOS also found that UNFIP had not established written agreements with two of its implementing partners concerning grants amounting to nearly $3.4 million and that of the 148 annual project progress reports due from implementing partners by 31 January 2002, only 33 (or 22 per cent) had been submitted on time. Although UNFIP is mobilizing cooperation from the private sector, this important activity had not been included in its programme of work. UNFIP management advised OIOS that it had included this element of its activities into its work plan effective 2002. Further, management agreed to address the issues identified in the report and was in the process of implementing the related recommendations of OIOS.

(b) Investigation at the United Nations Population Fund

122. OIOS investigated a report that a representative of the United Nations Population Fund (UNFPA) had provided employment to the minister of a host country Government as a personal favour. The representative had done so and had provided cash payments, electronic items and a vehicle to the minister, motivated by the representative's relationship with the minister. The representative had also inflated a claim for office furniture purchases and had devised a scheme to defraud UNFPA of payments for tutoring dependants in their mother tongue. OIOS adduced corroborating evidence that confirmed these allegations. The representative has been summarily dismissed, but has appealed the decision.

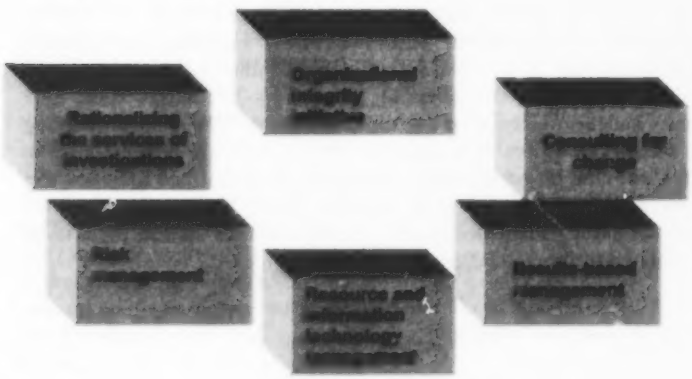
(c) Investigation at the United Nations Conference on Trade and Development

123. In the context of a previous investigation by OIOS at the United Nations Conference on Trade and Development concerning attempted fraud involving an advance fee of $4.7 million as a payment towards a fake air transport contract for the delivery of humanitarian goods, OIOS provided investigative services and testimony to national law enforcement authorities. The perpetrator, now a fugitive, is being sought by the Member State concerned.

III. Future challenges and strategic initiatives

124. To meet the goals and objectives of the programme on internal oversight and to contribute actively to the Organization's priorities for 2003, OIOS has developed a strategy focusing on five main themes: (a) utilizing a risk-management framework to guide oversight activities, primarily in the areas of audit, inspection and evaluation; (b) establishing an organizational integrity programme to combat fraud and corruption; (c) promoting results-based management through enhanced monitoring and evaluation; (d) providing change management consulting services; and (e) rationalizing and prioritizing its investigation services (see figure 5). To underpin this strategy, OIOS has also undertaken initiatives to strengthen its resource and information technology management.

Figure 5
Strategic initiatives for 2003-2004



A. Risk management

125. As noted in paragraphs 10 and 11 above, OIOS has recently introduced a risk-based work-planning framework to better rationalize its allocation of resources and to improve the targeting of oversight assignments. OIOS managers, led by the Under-Secretary-General, conducted a risk analysis of the "oversight universe" in the last quarter of 2002. This enabled OIOS to identify and prioritize those programmatic and operational areas that are considered as having the greatest vulnerability to fraud, waste, abuse, inefficiency and mismanagement (see annex IV for a list of the identified risk areas and the OIOS risk-mitigation projects).

126. The risk-management framework aims to strengthen accountability and reporting on oversight activities. In the coming year, OIOS will fine-tune this framework, to be used as a tool for developing its annual work plans and oversight strategies. In particular, OIOS has increased its coverage of the military aspects of peacekeeping operations, which represent a significant risk to the Organization given their high visibility, cost and complexity. The risk-assessment methodology piloted in UNMIK will be applied to other peacekeeping missions. OIOS also plans to recruit a military expert who will provide specialized knowledge on military planning, resource management and logistics. Working together with OIOS auditors, inspectors and evaluators, the military expert will provide input to ensure an independent and informed assessment of how effectively military activities in missions are operating.

127. The risk-management mechanism also serves to facilitate cross-disciplinary teamwork, both between divisions of OIOS and with its client departments. For example, the Internal Audit Division and the Investigations Division are collaborating on a joint oversight project on air transportation services. Similarly, auditors, inspectors and evaluators are cooperating on a joint review of the impact of the recent restructuring of the Department of Peacekeeping Operations on its backstopping of peacekeeping operations, including its impact on the efficient and effective use of resources. Both of these assignments were requested by the General Assembly and will be reported on during the Assembly's resumed fifty-eighth session.

128. The challenge is to gain acceptance for institutionalizing the practice of risk assessment throughout the Organization so as to systematically identify and mitigate high-risk operational and managerial challenges. OIOS intends to increasingly involve clients in risk assessment through joint projects and advocacy of a risk-based approach to their work.

B. Organizational integrity initiative

129. In May 2003, the United Nations launched the organizational integrity initiative to strengthen support for staff integrity and to better protect its resources and reputation. Integrity and ethics are crucial ingredients in the Secretary-General's ongoing efforts to reform and strengthen the organizational culture to one of high performance, accountability and results. The Organization must practice what it preaches in the areas of good governance and accountability by fostering a strong commitment to high ethical standards and encouraging senior managers to become "champions of integrity" in their deeds and decisions.

130. As illustrated in figure 6, the initiative, which is supported by a financial contribution from the Government of Norway, is a comprehensive programme comprising a range of interventions. The initiative will be implemented over the next two years. As a first step, key United Nations senior officials participated in an executive programme on corruption control and organizational integrity at the Kennedy School of Government of Harvard University in June 2003. The programme, which was co-founded by the United Nations, was taught by leading experts and practitioners in the field of public policy and involved a broad international audience, including representatives from Governments, international organizations, private companies and non-governmental organizations. Similar training will be developed and implemented for United Nations staff members over the next year, and a curriculum designed around the Organization's core values and competencies, in particular integrity and accountability, will be incorporated into existing staff development programmes. This training will increase awareness of the accountability mechanisms in place and provide guidelines to be followed by all managers and staff in dealing with fraud and corruption whenever it is encountered.

Figure 6
Elements of the organizational integrity initiative

131. In the second half of 2003, OIOS will work with consultants in developing and conducting an integrity perception survey to gauge the perceptions and attitudes of United Nations staff regarding organizational integrity. The results will provide input for training courses and serve as a benchmark for preventive strategies. An Organization-wide publicity campaign will also help to ensure that the goals, objectives and results of the organizational integrity initiative are communicated to all staff on an ongoing basis.

C. Results-based management

132. In order for the results-based approach to have the desired effect in the Organization, OIOS has stressed that senior and line managers must continuously

monitor progress towards planned objectives and the realization of expected accomplishments, assess the effectiveness and impact of their activities and reflect lessons learned in future plans. Through its monitoring and evaluation activities, OIOS has taken steps to facilitate the development of a self-monitoring and self-evaluation culture throughout the Secretariat to enhance accountability and management excellence. Jointly with the Department of Economic and Social Affairs, OIOS has enhanced the Integrated Monitoring and Documentation Information System and has provided methodological and technical advice and training on programme performance monitoring, reporting and evaluation. The aim is to make programme managers more aware of their commitments under the biennial programme of work and to build up their capacity to monitor their attainment of programme objectives. The forthcoming programme performance report for the biennium 2002-2003 will reflect this shift in focus from the implementation of outputs to results achieved.

133. For self-evaluation to be meaningful and sustainable, it has to be initiated and actively conducted by programme managers. In this respect, OIOS views its role as an agent of change that helps interested programme managers to acquire the skills and knowledge to conduct self-monitoring and self-evaluation. OIOS has developed a pilot project consisting of clinics and training workshops to further enhance the Secretariat's capacity for self-monitoring and self-evaluation. As part of the project, the Office is providing assistance to the Department of Public Information in its impact evaluation and the introduction of its annual programme impact review. OIOS aims to generalize the practice of annual reviews to orient future activities in support of the application by departments of self-evaluation and other assessments to consider the results that have been achieved, draw lessons learned and revise and update strategies for the future.

134. OIOS is initiating thematic evaluations to better assess activities that require concomitant actions by several programmes of the Organization. These evaluations will provide insight into the effectiveness of the Secretariat as a whole, complementing the comprehensive in-depth reviews by OIOS of specific programme areas. OIOS consulted with all departments and offices of the Secretariat to identify themes that addressed the current concerns of the United Nations, such as post-conflict peace-building and integrated water management. The Committee for Programme and Coordination has decided to defer to its forty-fourth session the selection of a topic, requesting that OIOS further develop topics by elaborating on the precise and comprehensive context, objective, scope, methodology and intended utilization of the findings of proposals for a pilot evaluation project.

D. Consulting for change

135. OIOS supports the Secretary-General's reform efforts by providing management consulting services to the Organization and a structured change process to assist in achieving the reform objectives. These change-management services provide clients with a confidential, organized and systematic application of knowledge, tools and resources needed to effect and sustain change in support of departmental reform efforts. Created in the spirit of an external consultancy practice, the section works in close collaboration with the client department to ensure project ownership. Clients benefit from the Office's strong understanding of the United

Nations system, including its policies and practices. The approach is based on bringing key people together to create solutions and to plan their implementation.

E. Rationalizing the services of investigations and prioritization of cases

136. The Investigations Division received 630 new matters to be investigated, an increase of 17 per cent from the prior reporting period. At any given point in time, in addition to the 50 or so matters under active investigation, there are an additional 200 cases comprising the backlog of matters awaiting sufficient resources for resolution. In order to better address these open matters and to mitigate risk to the Organization, every matter brought to the attention of the Division is carefully assessed through the use of a risk-assessment methodology to evaluate the allegations against known information as well as a number of criteria such as credibility, the impact of the information on the programme, its impact on public perception of the United Nations and, crucially, the potential impact if the matter were not investigated. This process is completed before any investigative activity commences, and it requires a thorough review of all pertinent information relating to the complaint.

137. With an average of more than 50 new cases each month and given the current investigative resources, the backlog remains constant. For peacekeeping matters, OIOS anticipates being able to better address the backlog with the approval of several new posts under the support account for peacekeeping operations for the period from July 2003 to June 2004. In addition, three new Professional investigator posts for the two Tribunals will enable OIOS to address the backlog of cases there.

Training on enhancing investigative capacity and outreach activities

138. The Investigations Division continued its training initiative aimed at enhancing the Organization's capacity to conduct basic investigations. Sixty-seven participants, nominally persons charged with conducting investigations, such as mission-based security officers, were trained through the provision of the basic investigations training course, conducted at the United Nations Office at Geneva, UNAMSIL and UNMIK. This allows OIOS to refer less complex matters to the missions, while the Division continues to handle the most difficult and sensitive matters. During the reporting period, the Division initiated an outreach programme that aims to explain the work, mandate and investigative procedures of OIOS, as well as its relationship with the justice system, beginning with managers in the Secretariat.

Proposal for sanctions on criminal conduct by international civil servants

139. On behalf of the Secretary-General, the Investigations Division and the General Legal Division of the Office of Legal Affairs, supported by the United Nations Office on Drugs and Crime, submitted a proposal on the articles of the Convention against Corruption currently being negotiated by Member States and to be signed in Mexico in December 2003. The proposal contained a request that international civil servants be included in the texts imposing sanctions for bribery and embezzlement and that international organizations, as well as States parties, be allowed to have stolen assets returned. This proposal is designed to enable the United Nations and other international organizations to pursue criminal sanctions

against staff members who engage in such wrongful acts and to recover any proceeds without affecting or impairing the privileges and immunities enjoyed by the Organization.

F. Resource and information technology management

140. OIOS has taken steps to improve its effectiveness in managing financial resources by, among other things, consolidating the peacekeeping budgetary requirements for auditors and investigators under the support account in the upcoming financial period. In this connection, OIOS is ensuring that its staff resources are allocated to the geographical areas in which they will carry out their oversight activities. In addition, OIOS has set up two trust funds to administer the extrabudgetary funds received from Member States for its strategic initiatives, namely, the enhancement of professional competencies for oversight and the organizational integrity initiative.

141. OIOS is actively using its career progression guide to enhance the management of staff recruitment, mobility, promotion and training. OIOS has established a personnel management committee that meets monthly to, among other things, monitor how well the guide is being used.

142. OIOS is also seeking to improve the quality and efficiency of its activities through two major information technology initiatives: the electronic working papers, a computer-assisted audit management system project that aims to streamline audit management and ensure quality; and the recommendations monitoring system, which is an interactive system to enhance the monitoring of OIOS recommendations and automate time-consuming manual processes. Other information technology projects include the electronic project tracking system to facilitate planning and monitoring of oversight assignments; an improved correspondence and document logging and routing system, supported by Lotus Notes; and Time Sheet Professional, a system for tracking time charged to projects. All three OIOS divisions have also tested the use of e-PAS, an automated performance appraisal system developed by the Office of Human Resources Management.

Notes

[1] For a description of the criteria established for critical recommendations, see the previous annual report of OIOS to the General Assembly (A/57/451, para. 6).

[2] As mandated by the General Assembly, OIOS reports to the Secretary-General every six months on the status of implementation of its recommendations. A separate report was prepared for the six-month period from 1 July to 31 December 2002, while the 1 January to 30 June 2003 period is included in the current report.

[3] *Official Records of the General Assembly, Fifty-sixth Session, Supplement No. 5E* (A/56/5/Add.5), chap. I.

[4] Ibid., *Fifty-seventh Session, Supplement No. 5E* and corrigendum (A/57/5/Add.5 and Corr.1), chap. II.

[5] Security Council resolution 1472 (2003) adjusted the oil-for-food programme and gave the Secretary-General authority to facilitate the delivery and receipt of goods contracted by the Government of Iraq for the humanitarian needs of its people.

[6] F1 claims are for losses incurred in connection with the departure and evacuation of individuals and for damage to property belonging to Governments and international organizations.

[7] E3 claims are made by non-Kuwaiti corporations and are related to construction and engineering.

[8] Security Council resolution 1244 (1999) authorized the Secretary-General, with the assistance of relevant international organizations, to establish an international administration for Kosovo. OIOS provides investigative oversight for UNMIK.

[9] In 2002 OIOS worked with the Office of Internal Audit of the United Nations Children's Fund (UNICEF) to audit the submission of separation documents by UNICEF to UNJSPF. The audit recommendations supported the implementation of improved processes in UNICEF and contributed to the broader audit work of OIOS related to the Pension Fund (E/ICEF/2003/AB/L.11 and Corr.1).

Annex I

Mandated reporting requirements

The categories of information to be included in annual reports of the Office of Internal Oversight Services are set out in the following documents:

Audits

1. Secretary-General's bulletin ST/SGB/273 of 7 September 1994 (para. 28):

(a) A description of significant problems, abuses and deficiencies and related recommendations (see sect. II of the report);

(b) Recommendations not approved by the Secretary-General (there were none);

(c) Recommendations made in previous reports on which corrective action had not been completed (see annex II);

(d) Reasons for any significant revised management decision from a previous period (there were none);

(e) Recommendations on which agreement could not be reached with management or where requested information or assistance was refused (see para. 6 of the report);

(f) The value of cost savings recommended and amounts recovered (see para. 8).

Information to be included in the annual report of the Office of Internal Oversight Services

2. General Assembly resolution 56/246 of 24 December 2001:

(a) Information regarding the implementation rate of the recommendations of the previous three reporting periods (see paras. 4-8);

(b) Information regarding the impact of its reorganization on its work (see A/57/451, paras. 144-146);

(c) Separate report on those recommendations that have been implemented, those that are in the process of being implemented and those for which no implementation process is under way and the reasons for their non-implementation (paras 4-8; sect. II and annex II).

Annex II

Critical recommendations on which corrective action has not been completed

In paragraph 28 (d) of Secretary-General's bulletin ST/SGB/273 of 7 September 1994, the Office of Internal Oversight Services was requested to identify in its annual report significant recommendations previously reported to the General Assembly on which corrective action had not been completed. The table below shows all critical recommendations issued before 1 July 2002 for which implementation had not been completed as at 30 June 2003.

A. Recommendations issued between 1 July 1999 and 30 June 2000

		Number of recommendations			
Client	*Title*	*Issued*	*Not started*	*In progress*	*Completed*
Department of Management	Follow-up review of the programme and administrative practices of the United Nations Centre for Human Settlements (Habitat)	2	-	2	-
United Nations Environment Programme	Review of the use of type II gratis personnel at the Division of Technology, Industry and Economics	1	-	1	-
	Audit of East Asian Seas Regional Coordinating Unit	1	-	1	-
	Follow-up to the 1996 review of the programme and administrative practices	11	-	2	9
Total		**15**	**-**	**6**	**9**

B. Recommendations issued between 1 July 2000 and 30 June 2001

		Number of recommendations			
Client	*Title*	*Issued*	*Not started*	*In progress*	*Completed*
Department of Economic and Social Affairs	In-depth evaluation of the population programme	13	-	2	11
Department of General Assembly Affairs and Conference Services	Report on the inspection of the consolidation of technical support services in the Department	10	-	5	5
Department of Management	Headquarters processing of inter-office vouchers through IMIS	9	-	2	7
	Proactive investigation of the education grant entitlement	3	1	-	2

Client	*Title*	*Number of recommendations*			
		Issued	*Not started*	*In progress*	*Completed*
Department of Peacekeeping Operations	Recruitment policies and procedures in the Department for international civilian staff	14	-	2	12
	Investigation of allegations of embezzlement, bribery and fraud	2	1	-	1
Economic Commission for Africa	Audit of the Subregional Development Centre in Kigali	4	-	2	2
	Audit of the Payroll Unit	6	-	1	5
Economic and Social Commission for Asia and the Pacific	In-depth evaluation of the population programme	1	-	1	-
Economic and Social Commission for Western Asia	In-depth evaluation of the population programme	1	-	1	-
International Criminal Tribunal for Rwanda and International Criminal Tribunal for the Former Yugoslavia	Investigation into possible fee-splitting arrangements between defence counsel and indigent detainees at the Tribunals	5	-	1	4
Office for Drug Control and Crime Prevention	Report on the inspection of programme management and administrative practices in the Office for Drug Control and Crime Prevention	14	-	6	8
United Nations Environment Programme	Audit of use of type II gratis personnel at the International Environmental Technology Centre/East Asian Seas Regional Coordinating Unit	5	-	2	3
	Audit of International Environmental Technology Centre	1	-	1	-
UN-Habitat	Review of overexpenditures on Danida projects	4	-	1	3
	Audit of UN-Habitat north-west Somalia	5	-	1	4
Office of the United Nations High Commissioner for Refugees	Operations in north-west Somalia	2	-	1	1
	Operations in Bulgaria	1	-	1	-
	Payroll	4	-	3	1
United Nations Office at Nairobi	Audit of Human Resources Management Service	4	-	1	3
	Audit of Commercial Operations Unit	6	-	6	-
	Investigation of fraudulent security grant claim	1	-	1	-
	Investigation of presumptive fraud in medical and dental claims	1	1	-	-
Total		**116**	**3**	**41**	**72**

C. Issued between 1 July 2001 and 30 June 2002

Client	Title	Number of recommendations			
		Issued	Not started	In progress	Completed
Department for Disarmament Affairs	Inspection of programme management and administrative practices in the Department	24	1	11	12
Department of Economic and Social Affairs	In-depth evaluation of the population programme	5	-	1	4
	Institute for the Advancement of Women	13	-	3	10
Department of Management	Iraq escrow account treasury and cash management functions	4	-	1	3
	Post-implementation review of IMIS	14	4	4	6
	Procurement of information technology and telecommunication equipment and related maintenance services	7	-	3	4
	Procurement of information technology and telecommunication equipment and related maintenance services by the Office of Central Support Services	10	1	5	4
Department of Political Affairs	In-depth evaluation of electoral assistance	1	-	1	-
Department of Peacekeeping Operations	Investigation into allegations of misappropriation of funds	1	1	-	-
	Investigation into allegations of misconduct	3	-	1	2
	Report of the assessment mission to UNMIBH on the International Police Task Force and trafficking issue	4	-	2	2
	Report of investigation into allegations of misconduct	3	3	-	-
Economic Commission for Africa	Audit of procurement and inventory/stores management units of the General Service Section	21	-	9	12
	Audit of travel, shipping and transportation	4	-	1	3
Economic Commission for Europe	In-depth evaluation of the population programme	1	-	1	-
Economic Commission for Latin America and the Caribbean	In-depth evaluation of the population programme	1	-	1	-
	Inspection of programme management and administrative practices	19	-	14	5

Client	*Title*	*Number of recommendations*			
		Issued	*Not started*	*In progress*	*Completed*
Economic and Social Commission for Asia and the Pacific	In-depth evaluation of the population programme	1	-	1	-
International Criminal Tribunal for Rwanda	Audit of procurement	17	-	7	10
Office of Internal Oversight Services	Strengthening the role of evaluation findings in programme design, delivery and policy directives	1	-	1	-
Office of Legal Affairs	In-depth evaluation of legal affairs	25	-	9	16
United Nations International Drug Control Programme	Audit of Peru office	10	-	2	8
	Management audit of ODCCP	6	-	1	5
	Investigation of the "boat project"	6	-	1	5
United Nations Environment Programme	Audit of programme support costs	3	-	2	1
	Audit of Division of Environmental Conventions	6	-	4	2
UN-Habitat	Settlement Rehabilitation Programme in Northern Iraq	8	1	2	5
Office of the United Nations High Commissioner for Refugees	Operations in Uganda	3	-	1	2
	Operations in Georgia	3	-	2	1
	Operations in the Russian Federation	8	1	-	7
	Operations in Egypt	2	-	1	1
	Deutsche Akademische Flüchtling Initiative	6	-	1	5
	Asset management	8	-	1	7
	Operations in Sudan	2	-	1	1
	Review of international implementing partner	5	1	1	3
	Investigation into allegations of refugee smuggling at the Nairobi branch office	12	-	7	5
United Nations Joint Staff Pension Fund	Administration of the procurement operation	4	-	3	1
	Contributions	3	-	2	1
	Benefit entitlements of surviving spouses and divorced surviving spouses	2	-	1	1
	Geneva office	16	1	1	14
	Investment Management Service — contractual services	6	-	2	4
United Nations Office at Geneva	Office space management	13	-	8	5

Client	*Title*	*Number of recommendations*			
		Issued	*Not started*	*In progress*	*Completed*
United Nations Office at Nairobi	Audit of Contracts and Procurement Service	20	-	8	12
	Audit of Travel, Shipping and Transportation Unit	9	-	7	2
	Audit of Mail, Pouch and Archives Unit	8	-	8	-
	Audit of United Nations Joint Staff Pension Fund claims processing	2	-	2	-
	Inspection of administrative and management practices	4	-	1	3
Joint United Nations Programme on HIV/AIDS	Investigation into allegations of misconduct	1	-	1	-
Total		**355**	**14**	**152**	**189**

Annex III

Reports of the Office of Internal Oversight Services (1 July 2002-30 June 2003)

A. Reports to the General Assembly

- Policies and procedures for recruiting staff for the Department of Peacekeeping Operations (A/57/224)
- Investigation into sexual exploitation of refugees by aid workers in West Africa (A/57/465)
- Implementation of all provisions of General Assembly resolution 55/231 on results-based budgeting (A/57/474)
- Management review of the Office of the United Nations High Commissioner for Human Rights (A/57/488)
- Status of recommendations on mission liquidation activities at the United Nations (A/57/622)
- Procurement of goods and services through letters of assist (A/57/718)
- Implementation of all provisions of General Assembly resolution 55/258 on human resources management (A/57/726)
- Review of the structure and operations of United Nations information centres (A/57/747)
- Audit of the Investment Management Service of the United Nations Joint Staff Pension Fund (A/58/81)

B. Reports to the Committee for Programme and Coordination

- Proposed evaluation themes (E/AC.51/2003/2)
- In-depth evaluation of the programme on the law of the sea and ocean affairs (E/AC.51/2003/3)
- Triennial review of the implementation of the recommendations made by the Committee for Programme and Coordination at its fortieth session on the in-depth evaluation of the global development trends, issues and policies, global approaches to social and microeconomic issues and policies and the corresponding subprogrammes in the regional commissions (E/AC.51/2003/4)
- Triennial review of the implementation of the recommendations made by the Committee for Programme and Coordination at its fortieth session on the in-depth evaluation of the advancement of women programme (E/AC.51/2003/5 and Corr.1)

C. Oversight reports to management

Audit

- Department of Economic and Social Affairs (4): Subprogramme 8; public administration, finance and governance; executive project SAF/99/001; capacity-building for local governance
- Department of General Assembly Affairs and Conference Services (2): Printing and Diplomatic Correspondence Section, Nairobi; requisitioning function
- Department of Management (8): Headquarters Committee on Contracts; United Nations laissez-passer at Headquarters, Geneva and Vienna; recording and processing of transactions related to the Organization's investment portfolio; office supplies contract; electrical equipment operation and maintenance contract; security and safety issues at United Nations Headquarters
- Department of Peacekeeping Operations (11): UNMISET; UNMIK; UNAMSIL; systems contract for engineering manpower to peacekeeping missions; UNAMA; MONUC; UNMEE; UNMIBH
- Department of Political Affairs (2): Missions in Guatemala and Papua New Guinea
- Economic Commission for Africa (1): Staff administration
- Economic Commission for Europe (1): Comprehensive audit
- International Criminal Tribunal for Rwanda (1): Financial management and special cash fund of the Investigations Division
- International Criminal Tribunal for the Former Yugoslavia (2): Human resources and field operations management
- Office for the Coordination of Humanitarian Affairs (2): Geneva property control; Indonesia office
- Office of the United Nations High Commissioner for Human Rights (1): Operations in the former Yugoslavia
- Office of the Iraq Programme (6): Management of the inspection services contract; budget practices for the Security Council resolution 986 (1995) 2.2 per cent account; management of the contract for the provision of independent inspection agents in Iraq; procedures to amend the "oil-for-food" programme contracts pursuant to Council resolution 1462 (2003); procedures to amend contracts pursuant to Council resolution 1472 (2003); UN-Habitat settlement rehabilitation programme in northern Iraq
- United Nations Compensation Commission (3): Risk assessment; processing of category F1 claims; E3 claims, twenty-second instalment
- United Nations Environment Programme (2): Establishment and administration of the World Conservation and Monitoring Centre; publications
- United Nations Fund for International Partnerships (1): Programme and project management

- United Nations Joint Staff Pension Fund (3): Submission of separation documents and other data by member organizations; contractual arrangements between UNJSPF and the actuarial consulting agency; budget practices
- United Nations Office on Drugs and Crime (2): Regional Office for West and Central Africa; Islamic Republic of Iran country office
- United Nations Office at Geneva (2): Timeliness in submitting separation documents to UNJSPF; office space management
- UN-Habitat (2): Publications; housing and property directorate
- United Nations Office at Nairobi (4): Human Resources Management Service, Staff Administration Section; information technology management; Division of Conference Services in Nairobi; facility management
- United Nations Office at Vienna (2): Submission of separation documents to UNJSPF; IMIS post-implementation
- United Nations University (1): Comprehensive audit
- Office of the United Nations High Commissioner for Refugees (31): United Nations Volunteers; procurement; rental subsidies; submission of separation documents to UNJSPF; educational grants; consultants; operations in Afghanistan, Algeria, Angola, Belarus, Botswana, Burundi, Canada, China, Costa Rica, Djibouti, Eritrea, Guinea, Indonesia, the Islamic Republic of Iran, Japan, Jordan, Kosovo, Yugoslavia, Poland, Rwanda, Sierra Leone, the Syrian Arab Republic, the Former Yugoslav Republic of Macedonia, Venezuela (plus Ecuador and Panama) and the former Yugoslavia

Investigation

- Department of Peacekeeping Operations
- Department of Political Affairs
- International Trade Centre
- International Criminal Tribunal for Rwanda
- International Criminal Tribunal for the Former Yugoslavia
- United Nations Office at Geneva
- United Nations Office at Nairobi
- United Nations Population Fund
- Various reports on: misconduct; procurement irregularities; entitlement abuse; misuse of United Nations property and resources; mismanagement; vendor staff misconduct; fee-splitting between defence counsel and indigent detainees; abuse of authority

Management consulting

- Reform of the Department for General Assembly and Conference Management
- Reform of the Department of Public Information
- United Nations Environment Programme support to conventions
- Office of Central Support Services

Annex IV

Risk assessment and mitigation

1. The managers of the Office of Internal Oversight Services (OIOS), led by the Under-Secretary-General for Internal Oversight Services, conducted a strategic risk analysis of the oversight activities of the United Nations in the fourth quarter of 2002, using the combined knowledge and expertise of its oversight staff to examine past problems, current challenges and overarching trends that could threaten the Organization's activities, assets, and reputation.

2. *Risk* is defined as the uncertainty that surrounds future events and outcomes. It is an expression of the likelihood and impact of an event with the potential to influence the achievement of the Organization's objectives and goals. *Risk management* is the systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, and acting on and communicating risk issues.

A. Risk assessment for 2003

3. OIOS developed a risk-management framework consisting of a list of areas of activities within its jurisdiction representing significant problems or risks, especially those that are currently unattended to or insufficiently addressed by existing controls and checks. OIOS monitors the risk-management framework at quarterly intervals to ensure that the risk analysis is up-to-date and actions are being carried out to mitigate risks. The risks are premised on their likelihood and impact and do not necessarily reflect any weaknesses in the management or structure of the relevant programmes and agencies. Identified risks include:

- Safety and security: security of United Nations personnel and facilities (such as access and vehicular controls). Threats include theft and terrorism, which require security systems and policies, trained personnel, well-developed evacuation plans and protocols for the protection of civilians and peacekeepers.
- Procurement: segregation of duties and responsibilities in the procurement function, linkages between inventory and procurement and presence of risk-based procurement.
- Peacekeeping: backstopping of peacekeeping operations; impact on efficient and effective use of resources.
- Information technology: organizational policies and strategies and exposure to external risks.
- General administration: maintenance and updating of regulations and rules and reduction of administrative duplication.
- Pension Fund: responsibilities of investment management, governance structures and investment advisory services.
- Human resources management: implementation of human resources reform at Headquarters and the regional commissions; new staffing system and Galaxy, ePAS and IMIS implementation.

- Entitlement fraud: entitlement schemes, such as travel and expense claims, dependency allowances, sick leave and education grant.
- International Tribunals: the legal aid system, defence counsel practices and other processes and payments established in these relatively new institutions.

B. Risk-mitigation projects

4. Oversight assignments currently being undertaken to mitigate risks include cross-functional projects on procurement, peacekeeping and security and safety issues.

1. Procurement of air transportation services

5. The area of air transportation services was identified as presenting highly likely and severe risks for procurement and air safety. OIOS has therefore initiated a project specifically geared to reducing the probability of such risks in the specific area of air safety. The risks include the possibility that safety requirements may not have been the foremost concern in contracting aircraft for peacekeeping missions. Also, the implementation of United Nations policies related to air safety may not have been adequate or sufficiently monitored, either at Headquarters or in the field. The General Assembly shared the view of OIOS that air safety was an issue of primary concern to the United Nations and had requested OIOS to report on safeguarding air safety standards while procuring air services, in particular in the area of cargo airlifts, for the peacekeeping missions (resolution 57/279, para. 10).

2. Review of the implementation of peacekeeping restructuring

6. OIOS is conducting an evaluation of the impact of the recent restructuring of the Department of Peacekeeping Operations on its backstopping of peacekeeping operations and will submit a report on this assignment to the General Assembly at its resumed fifty-eighth session. The evaluation comprises the whole spectrum of the Department's activities — from strategic and operational planning and capacity development in various functional areas to the revamping of logistics, administrative, financial and personnel management areas. The broad, multidisciplinary evaluation effort involves the teamwork of all OIOS divisions and is aimed at mitigating and/or eliminating — through concrete and pointed recommendations — the risks of wasteful or ineffective use of additional resources provided to the Department in the course of its restructuring. As many of the restructuring measures are still under way, OIOS aims at maximizing the positive impact of a possible mid-course correction as a result of the evaluation (resolution 56/241, para. 18).

3. Audits of security and safety at United Nations field offices

7. As part of the OIOS risk-management approach for security and safety, the Internal Audit Division has adopted a policy stipulating that all audits of field activities incorporate audit steps for the review of security and safety issues. A core work programme for the review of security issues at field offices has been developed for this purpose and is used in all audits of United Nations field installations. The work programme includes steps for reviewing the field office's role in the system for country-level security coordination and evacuation planning;

determining the adequacy of the security assessment for the premises; ensuring that staff are properly informed about emergency and evacuation procedures and that there have been regular fire and evacuation drills; and assessing controls over the issuance of United Nations identification cards and laissez-passer. OIOS also conducted a follow-up audit of previous security and safety recommendations at Headquarters and has required that any security and safety issues identified by audits of headquarters activities be brought to the clients' attention as soon as possible and included in the final audit report.

Office of Internal Oversight Services global post distribution as at 26 September 2003